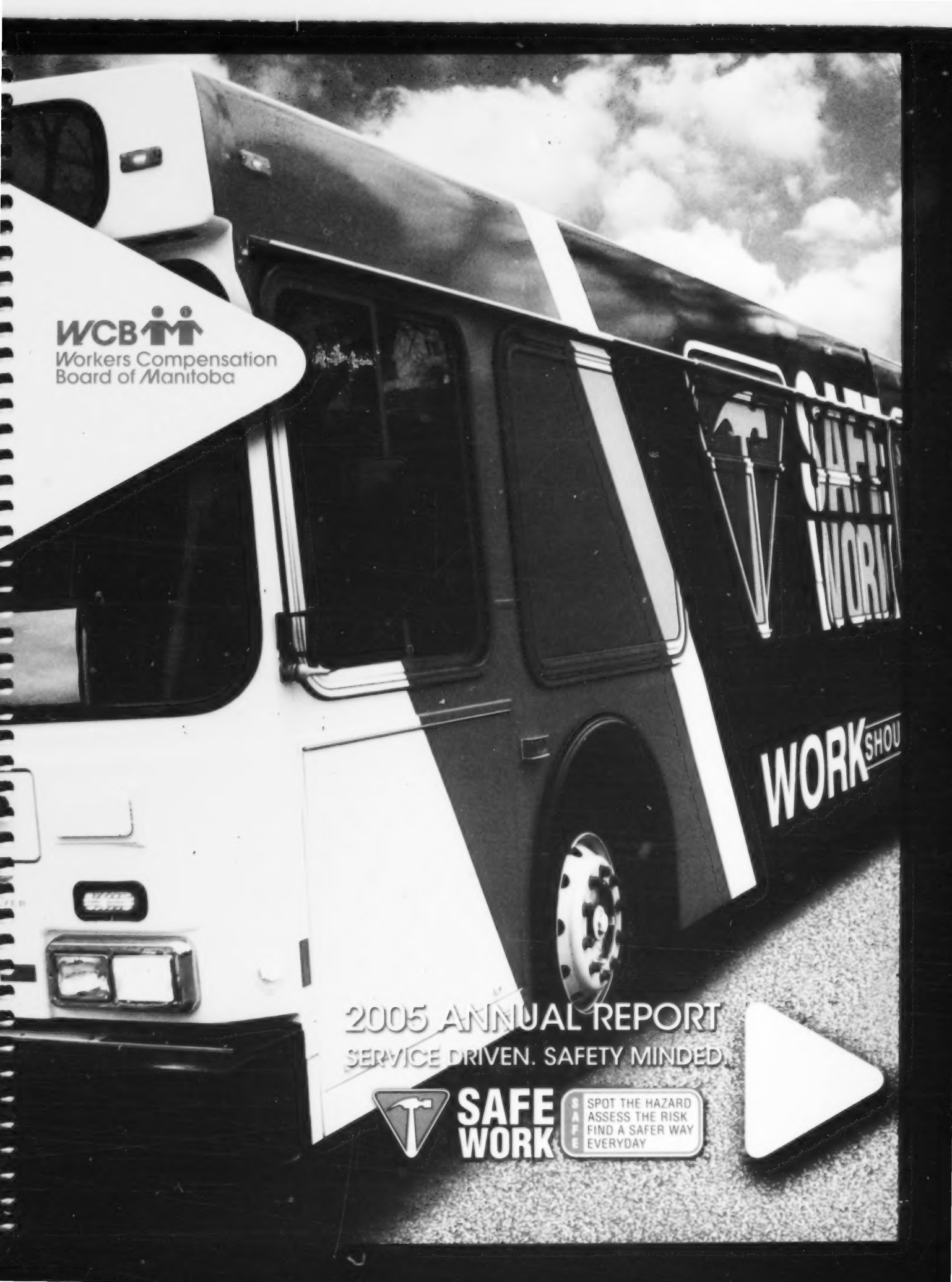
WCB
Workers Compensation
Board of Manitoba
2005 ANNUAL REPORT
SERVICE DRIVEN. SAFETY MINDED.
SAFE WORK
SAFE
SPOT THE HAZARD
ASSESS THE RISK
FIND A SAFER WAY
EVERYDAY

106-06406/

LETTER TO THE MINISTER

The Honourable Nancy Allan
Minister Responsible for *The Workers Compensation Act*
Room 317, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

We are pleased to present our 2005 Annual Report in accordance with the provisions of ***The Workers Compensation Act***. This report covers the twelve month period from January 1, 2005 to December 31, 2005. It includes the statements of accounts required to be kept under the ***Act***.

Respectfully submitted,

Tom J. Farrell
Chairperson

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This document is also available in large print format. Please call 954-4760, toll-free 1-800-362-3340 or email info@wcb.mb.ca.

For further information about the WCB's future plans, please refer to the Five Year Plan 2006-2010 on our website at www.wcb.mb.ca.

WCB
Workers Compensation Board of Manitoba

ABOUT THE WCB

The Workers Compensation Board of Manitoba is an injury and disability insurance system for workers and employers, paid for by employers.

About Our Staff

The WCB workforce is made up of approximately 500 individuals dedicated to providing excellent service to Manitoba's workers and employers. We welcome diversity with our strong commitment to employment equity, and offer a wide range of opportunities for staff members to continue developing their unique skills and abilities.

Our staff has earned a very positive reputation for giving back to the community. For many years, they have championed the United Way and been recognized for having one of the 50 most successful workplace campaigns in Manitoba. In 2005, the WCB was proud to sponsor the SAFE Work bear in support of CancerCare Manitoba's Bears on Broadway initiative.

About Our Services and Benefits

The very best the WCB can do for Manitoba workers and employers is to help them prevent workplace illnesses and injuries from occurring in the first place. We have partnered with the Manitoba government's Workplace Safety and Health Division to build a safety culture in Manitoba.

If individuals are hurt or become ill as a result of their work, however, we're here to help. The WCB offers a wide range of benefits to help injured workers return to health and meaningful work as soon as it is safe to do so. Benefits include:

- replacement of lost income
- healthcare treatments and payment of medication costs
- payment of dental costs
- employment retraining
- lump sum payments for permanent impairments
- benefits to spouses and children in the event of a workplace death.

About the WCB's Community Support

Through its Community Initiatives and Research Program (CIRP), the WCB provides up to $1 million annually to fund projects that will help keep Manitoba workers safe at work, or recover as quickly as possible if they are injured on the job.

The CIRP provides an important instrument for our community partners to help reduce the pain and suffering of Manitoba's injured workers and their families.

SAFE WORK

MESSAGE FROM THE CHAIRPERSON AND PRESIDENT AND CEO

The WCB has always been committed to responding to the needs of Manitobans and that commitment was as strong as ever this year.

In early 2005, after extensive consultation with stakeholders, a report with 100 recommendations designed to modernize ***The Workers Compensation Act*** was presented to the provincial government. The resulting legislation was passed unanimously and we spent 2005 diligently preparing for its implementation on January 1, 2006. Activities to support the implementation of the new ***Act*** included revising and creating policies, upgrading computer systems, conducting training sessions for staff and creating communications strategies to keep our stakeholders informed.

While preparing to meet the requirements of the new legislation, the WCB has continued to focus on prevention, recovery, service and stewardship. We used the SAFE Work brand to aggressively promote our message of workplace injury prevention to the public. Television advertisements with the theme "Work Shouldn't Hurt" focused, for example, on musculoskeletal injuries which have been on the rise. The WCB, in partnership with the Workplace Safety and Health Division (WSHD) of the Department of Labour and Immigration and other partners, quickly responded to rising injury rates in the construction sector with a number of initiatives. The SAFE Work brand also gained awareness through the SAFE Work transit bus and an enhanced SAFE Work website.

The SAFE Work Team, formed to coordinate the joint efforts of partners in SAFE Manitoba, hosted a SAFE Work Seminar, coordinated WCB prevention activities with the WSHD, and with the addition of a Return to Work Coordinator, provided disability management support for workers, employers and healthcare providers. The SAFE Work Team continued to make important contributions towards our goal of improving workplace safety in Manitoba. Injuries among priority firms (those firms that account for a substantial percentage of time loss injuries in Manitoba) are decreasing. As a result, time loss claims among priority firms were reduced by 2.3 percent in 2005.

Since 2000, the time loss injury rate for the province has decreased by 19 percent. Unfortunately, the time loss injury rate for the province increased slightly to 4.7 percent in 2005 which is a concern.

Our success with the SAFE Work Team and priority firms demonstrates that there are effective strategies to combat workplace injuries. The WCB and its partners in prevention will use all the tools at our disposal to ensure the 2005 injury rate remains an exception in an otherwise continuous downward trend.

Stakeholders have told us that service is important to them and we have continued to focus on service improvement. Customer service training was provided for staff and to speed the processing of claims, the electronic claim file system is being implemented in Case Management where more complex claims are managed. The system was also implemented in the Thompson office for Short Term Claims. We have looked at our own internal processes between the Case Management and Healthcare areas and revised them to facilitate faster decision making on claims.

The WCB has stewarded its resources efficiently and remains in a strong financial position. Our 2005 average assessment rate was the lowest rate in Canada. For investment returns, we are one of the top three performers among Canadian WCBs. Since 1996, we have maintained our fully funded status and ended the 2005 year with a substantial operating surplus.

This year saw a number of changes at the WCB resulting from our commitment to our themes of Prevention, Recovery, Service and Stewardship as well as meeting our stakeholders' needs. Our staff and Board of Directors have wholeheartedly demonstrated their dedication to this commitment. We have prepared for changes brought about by a modernized ***Act***, aggressively promoted the SAFE Work message and improved internal processes. This work, along with the work of our stakeholders and partners, will continue to help us foster a culture of safety in Manitoba.

Tom Farrell
Chairperson

Doug Sexsmith
President and CEO

SAFE WORK

BOARD OF DIRECTORS AND BOARD COMMITTEES

The role of the Board of Directors is to approve and oversee the direction of the WCB, including policies respecting compensation, rehabilitation, assessment and appeal procedures. By statute, the Board of Directors consists of 10 members appointed by the Government of Manitoba from nominations submitted by employers, labour and the public. The tripartite representation includes a neutral Board Chairperson, three representatives of workers, three representatives of employers and three members representing the public interest. The Chief Executive Officer is a non-voting member of the Board of Directors.

BOARD OF DIRECTORS

Tom Farrell	*Chairperson (from March 2005)*
Wally Fox-Decent	*Chairperson (to February 2005)*
Karen Naylor	*Worker Representative (to April 2005)*
Bob Sample	*Worker Representative*
Marla Garinger Niekamp	*Worker Representative*
Wendy Sol	*Worker Representative (from July 2005)*
Ed Gallos	*Employer Representative (to April 2005)*
Paul Challoner	*Employer Representative (from July 2005)*
Ron Hambley	*Employer Representative*
Sharon Seabourne	*Employer Representative*
Elaine Cowan	*Public Interest Representative*
Paula Keirstead	*Public Interest Representative*
Brian Mayes	*Public Interest Representative (to September 2005)*
Ken Sutherland	*Public Interest Representative (from October 2005)*
Doug Sexsmith	*Chief Executive Officer*

BOARD COMMITTEES

Tom Farrell replaced Wally Fox-Decent as Chairperson of the Policy, Finance and Service committees effective March 2005.

Policy Committee

Tom Farrell	*Chairperson*
Elaine Cowan	*Public Interest Representative*
Ed Gallos	*Employer Representative (to April 2005)*
Karen Naylor	*Worker Representative (to April 2005)*
Marla Garinger Niekamp	*Worker Representative (from April 2005)*
Sharon Seabourne	*Employer Representative (from April 2005)*
Doug Sexsmith	*Chief Executive Officer*

The Policy Committee was created under sections 51.1(2) and (3) of ***The Workers Compensation Act***. The Committee reviews and recommends changes to existing policy and initiates new policy through consultation with stakeholders of the WCB. It also serves as the Personnel Committee of the Board of Directors.

Examples of Policy Committee activities in 2005:

- serving as the Personnel Committee, received reports, updates and provided direction on human resource matters and the WCB staff pension plan
- approved the recommendation eliminating the need for a physician's referral prior to offering injured workers physiotherapy services
- reviewed the activities planned for modernizing governance at the WCB, including the appointment of chairs and external advisors
- rescinded three polices, approved amendments to 15 policies and established two new policies as well as approved two regulations
- approved a consultation process on extending WCB coverage.

Board of Directors

L to R: Paul Challoner, Sharon Seabourne, Marla Garinger Niekamp, Elaine Cowan, Doug Sexsmith, Tom Farrell, Bob Sample, Paula Keirstead, Ron Hambley, Wendy Sol and Ken Sutherland

SAFE WORK

Finance Committee

Tom Farrell	*Chairperson*
Ron Hambley	*Employer Representative*
Maria Garinger Niekamp	*Worker Representative (to August 2005)*
Brian Mayes	*Public Interest Representative (to September 2005)*
Wendy Sol	*Worker Representative (from August 2005)*
Ken Sutherland	*Public Interest Representative (from November 2005)*
Doug Sexsmith	*Chief Executive Officer*

The Finance Committee was established to review the financial position of the WCB including the annual budget, assessment rates and related financial policies. The Finance Committee also serves as the Audit Committee of the Board of Directors.

Examples of Finance Committee activities in 2005:

- met with the external auditor and external actuary
- met with the WCB Internal Auditor and reviewed the Internal Audit Plan – 2004; received regular updates on the status of internal audit recommendations
- approved the financial statements for inclusion in the 2004 annual report
- approve the 2005 budget and five year plan
- approved major contracts pursuant to WCB policy, revised the Legislative Review Implementation budget, and approved the 2006 detailed assessment rates and the Adjustment in Compensation regulation
- reviewed the internal audit report on Healthcare Advisor Services, the implementation of the Authority for Execution of Documents policy and the terms of reference for the Audit Committee and Investment Committee.

Service Committee

Tom Farrell	*Chairperson*
Sharon Seabourne	*Employer Representative (to August 2005)*
Bob Sample	*Worker Representative*
Paula Keirstead	*Public Interest Representative*
Paul Challoner	*Employer Representative (from August 2005)*
Doug Sexsmith	*Chief Executive Officer*

The Service Committee assists the WCB's administration in accelerating and monitoring service improvements and recommends approval of funding under the WCB's Community Initiatives and Research Program (CIRP).

Examples of Service Committee activities in 2005:

- recommended approval of 2005 CIRP, reviewed applications and made recommendations for funding; approved revisions to the CIRP application process; reviewed the process for providing financial support for longer term projects and reviewed a proposal for streamlining CIRP management and administration
- met with representatives of healthcare professionals to discuss their concerns and recommendations on service improvements
- met with the Fair Practices Advocate on ways to raise the public's awareness about the services offered by the Fair Practices Office
- reviewed programming offered by the Injured Workers Association of Manitoba and received a presentation on the Association's services
- reviewed and approved the work plan for the SAFE Work public awareness campaign and provided ongoing monitoring.

INVESTMENT COMMITTEE

Tom Farrell	*Chairperson (from March 2005)*
Wally Fox-Decent	*Chairperson (to February 2005)*
Bob Darling	*Employer Representative*
Ewald Boschmann	*Deputy Minister of Finance*

The Investment Committee was created under Section 95 of ***The Workers Compensation Act*** to regularly review WCB investments and provide clear, written direction for the investment portfolio.

The Investment Committee believes in active management. The Investment Committee, under the terms of a formal Statement of Investment Policies and Objectives, oversees a portfolio diversified across a number of distinct asset classes and geographic regions. This approach provides stability within the portfolio.

Examples of Investment Committee activities in 2005:

- regular reviews of investment manager performance – no changes in managers occurred in 2005
- regular review of the Statement of Investment Policies and Objectives – following legislative changes, income trusts are now an investment option in the Canadian equity portfolio.

SAFE WORK

2005 HIGHLIGHTS

Preparing for Change

2005 was an exciting year for the WCB as we prepared for changes to ***The Workers Compensation Act***. The new legislation was passed in the Manitoba Legislature for implementation on January 1, 2006. It required an extensive organization-wide effort to train staff to administer the new ***Act***, develop and revise policies, modify information technology systems to operate under new ***Act*** provisions and communicate changes to our stakeholders.

The new ***Act*** enshrines a prevention mandate for the WCB – a strong endorsement of the direction in which the organization has been moving for some time now.

Creating a Demand for Safer Workplaces

The "Hammering it Home" construction injury reduction initiative in the fall of 2005 dramatically illustrated the positive impact of the SAFE Work program. Injury analysis from the joint WCB-Workplace Safety and Health Division (WSHD) SAFE Work Team showed an increase in construction injuries. The WCB engaged stakeholders in a coordinated response and a SAFE Work media campaign was launched in support of increased enforcement by WSHD.

In 2005, the province's growing economy contributed to a slight rise in the number of time loss injuries. Prevention efforts, however, have helped lower injuries among priority firms. The SAFE Work Team, for example, accelerated the reduction of injuries among priority firms. In 2005, priority firm time loss injuries dropped from 2,208 in 2004 to 2,158, (a decrease of 2.3 percent), while time loss injuries for the province increased by 2.5 percent.

The WCB has identified industry sectors most responsible for the increase in the time loss injury rate and will concentrate prevention efforts in those areas.

Returning Workers to Health and Work

Healthcare providers play a key role in an injured worker's return to health and productive work. Outreach to healthcare practitioners was expanded, internal training was delivered to staff, WCB processes were streamlined and new agreements implemented with day surgery clinics for the provision of diagnostic services. The WCB's capacity to support and promote return to work grew with the addition of the Return to Work Coordinator to the SAFE Work Team.

Listening to our Customers to Serve Them Better

A customer satisfaction survey for customers with active claims was added in 2005 to the customer survey work done with employers and injured workers with completed claims. This initiative allows us to learn about service issues in real time and to listen to injured and ill workers who have longer term relationships with the WCB.

Improved customer communication is bearing fruit. WCB customer satisfaction results continue to improve. In 2005, we achieved a milestone with an eight out of 10 overall injured worker satisfaction rating in the second quarter.

The WCB also listened to staff suggestions on how to improve service internally and create an environment that will make us better able to provide outstanding service to our customers.

Strong Financial Performance

Successful stewardship of WCB finances and robust investment results gave the WCB fiscal room to have the lowest average assessment rate in Canada, post an operating surplus of $23 million, increase our total reserves to $185 million and be one of a number of fully funded WCBs in Canada. (Fully funded is defined as total assets exceeding total liabilities.)

Community Leadership

The WCB continued to be a United Way campaign leader and B. Beary SAFE, the SAFE Work Bear, was the WCB's contribution to the highly successful Bears on Broadway initiative.

In 2005, the WCB implemented a number of environmentally friendly initiatives to help preserve our environment for future generations.

SAFE WORK

YEAR AT A GLANCE

	2005	2004
Estimated number of workers covered	382,000	380,000
Number of registered employers	25,547	25,110
Total claims accepted	35,467	34,864
Time loss claims accepted	17,936	17,492
Fatality claims accepted	29	21
Claim costs incurred	$180,245,000	$161,317,000
Operating expenses	$50,915,000	$49,140,000
Average duration of claims (compensation)	43.3 days	41.5 days
Accident Fund Reserve balance	$93,521,000	$70,491,000
Average budgeted assessment rate	$1.70	$1.70

THEMES

There are four themes that provide a framework for how the WCB conducts business and organizes activities to meet the needs of stakeholders:

- Prevention – Protecting Workers and Preventing Injuries and Illnesses
- Recovery – Returning Workers to Health and Work
- Service – Continuously Improving Services to Workers and Employers
- Stewardship – Effectively Managing Human, Technological and Financial Resources

PREVENTION

SAFE Work Team

The SAFE Work Team coordinates the joint efforts of SAFE Manitoba partners. The team includes the WCB's SAFE Work Manager and SAFE Work Analyst along with the Director of Partnerships and Prevention and six Workplace Safety and Health Officers from the Department of Labour and Immigration's Workplace Safety and Health Division (WSHD). The SAFE Work Team also hired a Return to Work Coordinator to focus on disability management.

The SAFE Work Team continued to focus on priority firms (those firms that account for a substantial percentage of time loss injuries in Manitoba) to reduce injuries. The designated SAFE Work officers have concentrated efforts on these firms and priority industries to allow for more direct assistance and identification of hazards or issues in the workplace.

The strategy is working. Priority firm time loss injuries dropped from 2,208 in 2004 to 2,158 in 2005.

SAFE Work Seminar

In April 2005, the SAFE Work Team held a first-of-its-kind SAFE Work Seminar. Representatives from 40 Regional Health Authorities and priority firms across the province met at the WCB for a two-day meeting. The event's mandate was to compare statistics and best practices with a focus on ergonomics and healthcare.

Workplace Injury and Illness Reports

The WCB and WSHD presented two injury and illness statistics reports during 2005. The reports contained four main sections: injury rates, workplace fatalities, characteristics of injured workers and accepted claims as well as a discussion section that explored the impact of emerging trends.

In January 2005, the ***Manitoba Workplace Injury and Illness Statistics Report for 2000-2003*** was released. The report examined four years of data and assessed trends from 2000 to 2003.

In October 2005, the WCB and WSHD released an updated version of this report which included data from 2004. This latest injury statistics report includes, for the first time, five consecutive years of data which will help better identify injury trends and provide valuable data to help guide effective prevention strategies. The report showed that workplace injuries continued to fall in 2004. The report also stated that the time loss injury rate fell by 21 percent between 2000 and 2004 and that 59 percent of injuries have been musculoskeletal injuries, with the majority being strains and sprains.

On April 28, 2005, in conjunction with Day of Mourning ceremonies, the WCB and WSHD released the ***Manitoba Workplace Injury and Illness Statistics Report, 2000-2004: Young Workers***, their first ever report on workplace injuries and illnesses as they affect young workers. This report presents statistical data about work related injuries of Manitoba workers aged 15 to 24 from 2000 to 2004. The report showed that significant progress has been made toward reducing the time loss injury rate among young workers. That rate had declined by 28 percent over the five year period, although the rate of injuries among males 20 to 24 is still higher than any other category of the workforce with 7.8 injuries for every 100 workers.

SAFE WORK

Public Awareness

The SAFE Work public awareness campaigns aggressively targeted workplace injury prevention messages to the public and our stakeholders in 2005. Television advertising was a key component in the SAFE Work public awareness strategy, as we aired four commercials. One television ad campaign focused on hand injuries, while another ad revealed SAFE Work's newest slogan – "Work Shouldn't Hurt". A third ad focused on musculoskeletal injuries while also promoting our back injury prevention publication, ***Back to Basics***. As well, our "trilogy" ads from 2004 were re-run. That campaign featured three commercials focusing on the family of a worker, the supervisor and the CEO.

In response to the increase in construction injuries – during the first eight months of 2005, the WCB received over 2,000 claims from construction sites in Manitoba representing an eight percent increase from the previous year – the WCB added a fifth public awareness campaign in October 2005 dubbed "Hammering it Home". This campaign promoted the new Safety and Health Officers assigned by WSHD to the construction industry, and delivered a message tailored to construction that work shouldn't hurt. The campaign included radio, print and outdoor media advertisements.

The SAFE Work brand also gained awareness through the SAFE Work transit bus and the electronic sign in the corner of our parking lot, both of which debuted on June 6, 2005 along with our "Work Shouldn't Hurt" ad campaign. The electronic "injury ticker" sign, located at the WCB's site at the intersection of Carlton and York, was introduced to provide an updated count of workplace injuries in Manitoba for passing motorists and pedestrians. The sign began counting up injuries at midnight on June 6 at the rate of roughly five per hour from an estimated 17,550 injuries in Manitoba to that date. The sign also displays a changing safety message.

Other notable public awareness activities that helped the WCB share its workplace injury prevention message in 2005 included the www.safemanitoba.com website. A new feature on the site – Health and Safety 101 – was launched on November 2, 2005 in conjunction with Take Our Kids to Work Day. This online learning program was developed to provide workers aged 15 to 24 with important information on workplace health and safety issues. The program features tips on spotting hazards, video testimonials of injured workers and the legal responsibilities of workers and employers.

The SAFE Work message is reaching Manitobans. The time loss injury rate in Manitoba has decreased by 19 percent from 2000 to 2005 despite the 2005 injury rate increasing to 4.7 from 4.6 percent in 2004. More than eight in 10 Manitobans surveyed recognize the SAFE Work message and seven out of 10 Manitobans report they are less likely to take risks now than they were in the past.

ScoreCard

The ScoreCard is an interactive tool that allows employers to see the relationship between their claim costs and experience and their WCB assessment rates. The ScoreCard project also provides best practices from Manitoba employers proven to effect change. ScoreCard visits by WCB staff to employers have helped to encourage prevention and disability management and contribute to the goal of a 25 percent reduction in the time loss injury rate.

WCB Funds New Prevention Projects

The Community Initiatives and Research Program (CIRP) provides up to $1 million annually to fund projects focusing on injury and disease prevention, safety in the workplace, treatment of workplace injuries, support for injured workers and their families, and research into scientific, medical or other issues related to workers compensation. Since the inception of the program to the end of 2005, approximately 65 percent of the funding has supported workplace prevention, education and training initiatives.

The WCB announced the latest CIRP funding recipients in January 2005. Applicants were asked to outline how their project will have a significant and long term impact on reducing injuries in Manitoba workplaces. The funding recipients will conduct community or industry based projects that focus on the prevention of workplace injuries and illnesses in Manitoba.

The CIRP aims to enhance the understanding of workers compensation issues and to minimize the human and financial impact of occupational injuries and disease. Since the CIRP was launched by the WCB in 1997, 100 innovative projects have been completed or are still in progress at the end of 2005.

RECOVERY

An injured worker's recovery involves a return to health and a return to work. The WCB is here to help when a worker suffers a workplace injury or illness.

Returning to Health

Healthcare is an important part of the service the WCB provides. The WCB is always looking for ways to improve this service and help injured workers return to health as quickly as possible.

Healthcare services such as diagnostics, consultations and surgeries support an injured worker's return to health. To facilitate healthcare services for injured workers, a fee schedule has been established for consultations and surgeries with day surgery clinics. The WCB also has an agreement in place with the Pan Am Clinic to be our primary supplier of magnetic resonance imaging (MRI) for injured workers.

The WCB also had agreements with the Manitoba Branch of the Canadian Physiotherapy Association, the Manitoba Chiropractors Association and the Manitoba Medical Association to provide services to injured workers and reports to the WCB. Such agreements offer stability of service for injured workers who depend on the care provided by these healthcare practitioners.

The WCB has revamped its own internal processes to help the recovery of injured workers. The Healthcare Services and Case Management areas have streamlined processes and put timeframes in place for the request and provision of medical opinions. These processes will assist in adjudication and Case Management decision making.

Improved communications between the WCB and the injured worker's healthcare provider can speed up the worker's treatment and recovery. The WCB has taken measures to ensure more interaction with the healthcare community. For example, through committees and associations, WCB healthcare practitioners are now in more regular contact with the injured worker's healthcare providers.

SAFE WORK

In 2005, the WCB developed a healthcare knowledge management strategy that focuses on improving education within the organization as well as in the community. Multiple training sessions have been developed and delivered internally and externally on topics such as back pain and injuries to extremities. Outreach activities, such as the Physiotherapist Outreach Program, allow WCB healthcare professionals to visit healthcare clinics (at the clinic's request) to share best practices. The WCB also sponsored a speaker, in partnership with the University of Manitoba, to speak to orthopaedic surgeons and residents.

Returning to Work

Returning to safe and productive work is an important component of an injured worker's return to health. In 2005, the WCB was involved in many activities designed to facilitate the return to work process.

To continue to improve the WCB's capacity to handle return to work issues, a Return to Work Coordinator position was added to the SAFE Work Team. This position focuses on disability management. Disability management is a formalized set of programs employers have in place to identify and manage issues relating to workers assuming regular duties at work after the occurrence of an illness or injury.

This year the Return to Work Coordinator reviewed and modified internal training programs to move current return to work initiatives forward. Externally, the Coordinator provided employers interested in starting disability management programs with information so they could develop and implement programs to meet their organizations' needs.

In 2005, the WCB continued to build on recommendations from stakeholders. For example, the Short Term Claims department captured return to work data to ensure the return to work process is consistent with WCB policy. Also, where necessary, enhanced return to work training has been provided for new staff in response to the recommendation that WCB decisions should be clear, well documented and made according to transparent decision making criteria.

The WCB conducted a detailed investigation of the status of return to work programs in firms with high injury experience. The result of this investigation helps the WCB to more effectively allocate resources to those firms that need the most support.

To track progress of stakeholders' perceptions of the return to work services offered by the WCB, questions were added to WCB surveys about return to work outcomes and processes.

Communication between employers and healthcare providers for the benefit of injured workers was encouraged through innovative means. Employers, for example, were asked to take digital photos, for doctors, of workers performing modified duties to help doctors envision the workplaces of injured workers.

Supporting Recovery Initiatives

The WCB recognizes the importance of initiatives designed to aid injured workers in returning to health and work. The WCB is committed to helping injured workers reach their maximum medical improvement and will continue to investigate options to meet this goal.

SERVICE

In 2005, the WCB undertook a number of service initiatives and continued to strengthen its service culture to help better meet the needs of injured workers and employers. The focus on customer service enables us to live up to our Statement of Service Excellence: "We will provide service that is fast, easy, caring, right and clear".

Major Customer Service Projects Undertaken

In 2004, a comprehensive customer service project designed to enhance our service to injured workers and employers, principally through role consolidation and the introduction of an electronic claim file system, was implemented in our Short Term Claims area. The project continued in 2005 with the development and implementation of a business plan designed to bring the electronic claim file system and accompanying role clarification to our Case Management area. The system was implemented in the Short Term Claims area of the Thompson office in 2005. It is anticipated that full roll out of the project in the Case Management area for both the Winnipeg and Thompson offices will be completed in 2006.

A similar customer service project was initiated in our Employer Services Division in 2005. This project is intended to enhance the services that the WCB delivers to employers. Focus groups were conducted in 2005 to gather input from employers to help guide the direction of this project.

Other Service Driven Initiatives Realized

An initiative to work toward a more proactive form of case management has been introduced in the long term claims area. Staff members are being encouraged to anticipate and respond to worker and employer needs and to proactively address them. They are also being encouraged to offer injured workers options in their return to health and work so that workers are more involved in decisions affecting their future.

Outreach activities took place in northern Manitoba when Thompson staff conducted a well attended information session in Churchill for northern employers to share information about SAFE Work, WCB services, efficient claims management and best practices.

Efforts have been made to ensure that workers are better aware of their rights and responsibilities as they make their way through the WCB system. A revised coverage and benefits booklet outlining initial benefits and other entitlements for injured workers was introduced at the beginning of 2005.

Also completed in 2005 was a revised, more comprehensive guide to community support services and resources available to injured workers when their benefits with the WCB end. Staff from the Special Services Unit conducted presentations for WCB staff in Short Term Claims and Case Management on providing assistance to transitioning workers and the community resources available to them.

Strengthening the Service Culture

Customer service workshops continued to be delivered to staff throughout 2005. Telephone and voice mail service continued to be a focus as well. Our efforts have been recognized, as measured through surveys and increasing customer satisfaction levels regarding the WCB staff's promptness in returning phone calls.

Improving service to our customers can only come about by having complete information about their concerns and needs. In the past, we have gathered information about injured workers' concerns and needs by surveying

SAFE WORK

those whose claims were no longer active. In order to gain a more complete picture of the needs of injured workers, the WCB developed and implemented a new survey in 2005 aimed at injured workers who are current active clients.

Since we believe that meeting internal service needs is important in fostering a culture of service, the WCB conducted an internal customer satisfaction survey in 2005. This first ever survey asked staff to rate their satisfaction with service being offered by our Information Technology (IT) department. The IT department now has the information it needs to plan and implement service improvements. Other internal departments will be the subject of surveys over the coming years.

Our Service Successes

The WCB won the Project Management Institute of Manitoba's Project of the Year Award for the comprehensive customer service project it implemented in its Short Term Claims area and which will now be expanded to the Case Management area, (see *Major Customer Service Projects Undertaken* on page 19 for details).

The WCB continues to focus on improving the timeliness of the payment of claims. The percentage of traumatic time loss injury claims paid within 14 days of injury continues to improve, from 38.7 percent in 2003 to 42.3 percent in 2004 to 46.0 percent in 2005.

In 2005, the WCB reached a service milestone. The WCB regularly surveys injured workers and employers and has a goal to attain a customer satisfaction rating of eight out of 10 with both these groups. In the second quarter of 2005, injured workers gave the WCB an eight out of 10 overall satisfaction rating. This is the first time ever that we have achieved this rating.

Both workers' and employers' overall satisfaction levels with the WCB have been improving over the past few years. On a full-year basis, injured worker satisfaction was 7.8 and employer satisfaction was 7.2 in 2005.

Committed to Improving Service

Though we have made some important strides this year in improving our service to injured workers and employers, we will continue to look at and respond to areas where even more can be done to provide service that is fast, easy, caring, right and clear.

STEWARDSHIP

As the steward of hundreds of millions of dollars in revenue and assets, human resources and the many other elements of a service organization, the WCB has a significant responsibility to manage efficiently.

New Legislation Implementation

Following the first public consultation on workers compensation in almost 20 years, a report was developed and recommendations for changes to modernize ***The Workers Compensation Act*** were submitted to the Minister of Labour and Immigration in February 2005. In June 2005, Bill 25 was adopted unanimously in the Legislature requiring significant changes to be made to compensation legislation, with most provisions becoming effective January 2006. (Provisions for firefighters came into effect on June 9, 2005, upon Royal Assent of Bill 25.)

Preparation for the implementation of new legislation was a major focus throughout the organization in 2005 consuming thousands of staff hours. Extensive effort was put into revising existing policies and developing new ones, creating and implementing a communications plan, providing general and detailed training sessions to virtually all WCB staff, and implementing and testing significant modifications to our information technology systems to ensure the organization was ready to operate under the new laws.

Strong Financial Performance

The Manitoba WCB is fully funded, with a funding ratio of 125 percent in 2005. This means that the WCB has sufficient assets to meet all its obligations relevant to the future costs of existing claims. Primarily as a result of strong investment returns, an operating surplus of $23 million was realized in 2005 bringing an already healthy Accident Fund Reserve to a total of $94 million. In addition, the reserve for unrealized investment portfolio gains (Accumulated Other Comprehensive Income) jumped to $91 million in 2005 (up from $60 million in 2004) because of strong investment market performance.

In 2005, the WCB provided employers with the advantage of the lowest average assessment rate across the country and in 2006, we will have the second lowest average rate of $1.68, down from $1.70. The WCB's average administration cost per claim is also among the lowest in Canada.

Improved Data Management Systems

Effective operation of the compensation system requires the collection of an enormous amount of confidential information. The first priority of the WCB is to protect that information and ensure it remains confidential. Balanced with that is the need to continually improve our data management systems. Besides the legislative amendments initiative that had a significant impact on WCB's systems, the Information Technology department has effectively supported a number of customer service initiatives including the development of an electronic claim file system, analysis of services provided to employers through our Employer Services Division which will result in business process changes in 2006, and the continual upgrade of the WCB's public website.

Continued Organizational Development

WCB staff continue to participate in customer service, cultural diversity and other job related training and development that contribute immensely to organizational effectiveness. In 2005, a rewards and recognition program was rolled out to recognize outstanding achievements in service excellence, teamwork, ambassadorship and leadership. A new performance and development system continued to be rolled out throughout the organization.

New Offices for Employer Services Division

To better serve our stakeholders, in 2005 we reduced the number of WCB office locations in Winnipeg. The Employer Services Division moved from its Hargrave Street location to the second floor of 363 Broadway where other WCB offices were already located.

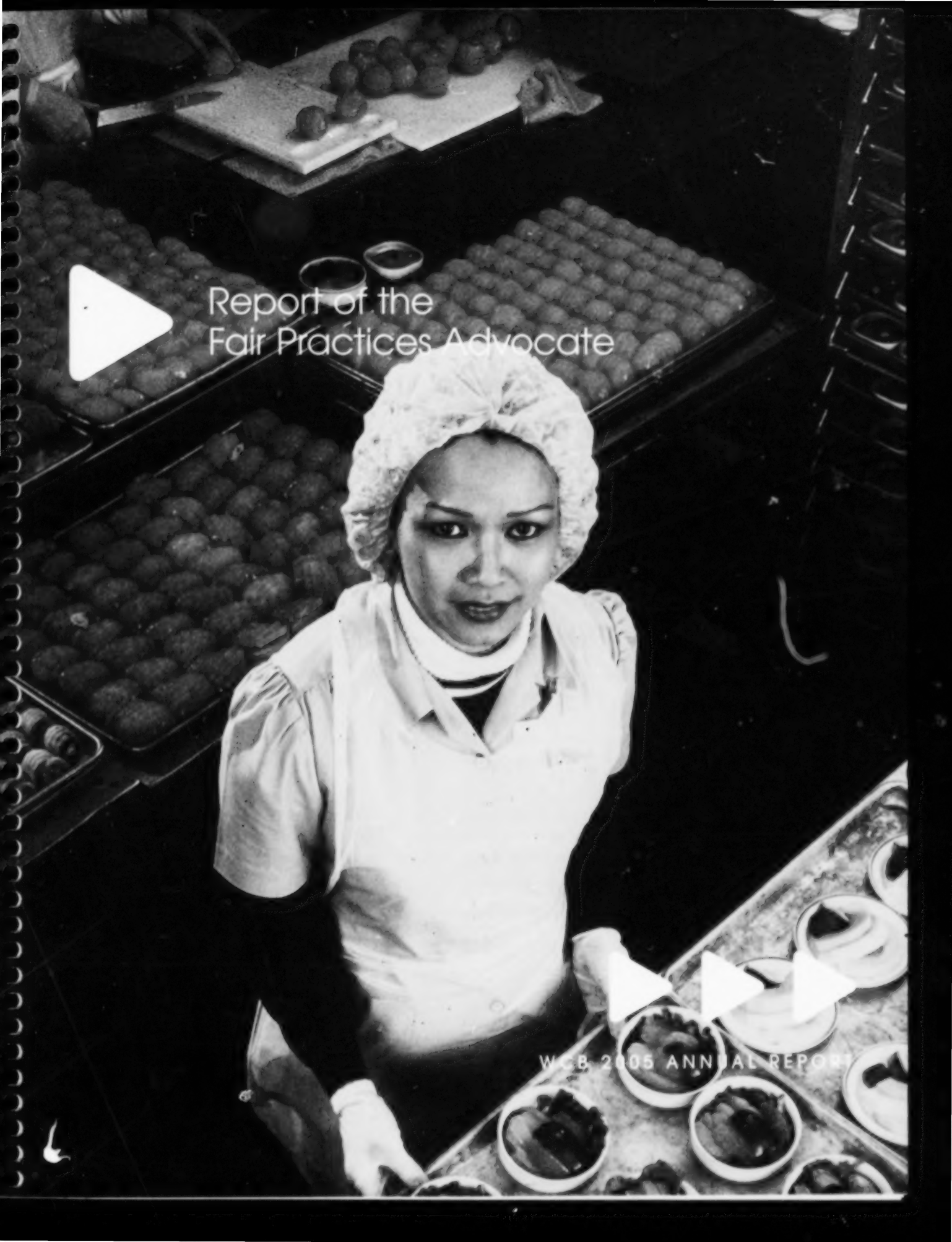
SAFE WORK

Ongoing Community Leadership

The WCB provides corporate support for a number of educational and community events. A major event supported in 2005 was CancerCare Manitoba's Bears on Broadway initiative with the sponsorship of the SAFE Work bear.

Our staff contributed to a number of efforts in support of their community. Efforts focusing on paper use reduction, recycling, energy saving and water conservation helped "green" the WCB and sustain our environment. A very successful United Way campaign provided assistance to those less fortunate.

WCB
Workers Compensation
Board of Manitoba


Report of the
Fair Practices Advocate
WCB 2005 ANNUAL REPORT

REPORT OF THE FAIR PRACTICES ADVOCATE 2005

The year 2005 marked another first for the Workers Compensation Board of Manitoba. After a public review of ***The Workers Compensation Act***, it was determined that the Fair Practices Office would be established in the Manitoba legislation. In 1989, Manitoba led the way by being the first compensation board in Canada to establish an ombudsman-like service.

Although becoming more widely known and understood, the principles of an ombudsman's office bear repeating. These principles, typical of an ombudsman's office, are features of the Workers Compensation Board's Fair Practices Office. They are:

- the right to investigate any action or inaction of the Workers Compensation Board of Manitoba;
- the right to unfettered access to all information available to the Workers Compensation Board of Manitoba related to the issue under investigation;
- the right to independent action without influence by the Board of Directors or administration;
- confidentiality if requested by the complainant;
- impartiality;
- the right to make recommendations if a decision has clearly misapplied Workers Compensation Board policy or legislation;
- an opportunity to report regularly to the administration and the Board of Directors.

In my experience there can be a number of well-understood positive effects from a Fair Practices Office. The complaints and other issues brought forward allow the WCB to evaluate itself by seeing its service through the eyes of those it serves. On an individual level, it allows staff to learn from knowing how their clients experienced their actions. Knowledge of the issues facing its clients allows the WCB to identify areas where either individual or systemic training is needed. Having a place to go can create a sense of satisfaction and empowerment for WCB clients.

In 2005, a survey conducted by the WCB administration to assess the number of injured workers satisfied with the handling of their claims reached a milestone with an impressive satisfaction rating of 80 percent. Perhaps even more important is the positive attitude to service evidenced by the willingness to acknowledge that improvement is still needed.

Callers to the Fair Practices Office help to remind the WCB where improvements can be made. They tell us:

- they want to feel respected and listened to;
- they want to be believed and not treated with suspicion;
- they want timely attention to their issues;

- they want fair process to determine reasonable plans for return to their jobs;
- they want to understand the decisions made on their claims;
- they want to understand how their wage loss benefits have been calculated.

Employers have similar interests. They tell us they want their injured workers well and back to work as soon as reasonably possible.

The overall number of enquiries to the Fair Practices Office has dropped significantly from 2004. Although the sample is not statistically significant due to the relatively small numbers and its self selected nature, an analysis can be useful for the WCB, in conjunction with other sources of information, to provide a useful indicator of where attention should be focused.

Complaints about unadjudicated claims have continued the downward trend from 2002 to 2003 to 2004 (83, 69 and 58 respectively) with 26 enquiries of this nature in 2005. This trend is even more dramatically evident if one considers the 2001 level of 117. Delay in adjudication has been an extremely frustrating problem for injured workers in the past and is an area that has received considerable emphasis by the Fair Practices Office over the years. The administration has clearly responded with a variety of strategies to address this problem.

The reduction in the numbers of enquiries to the Fair Practices Office, from 905 in 2004 to 679 in 2005, is encouraging for the WCB. We believe, in part, that this provides some evidence to demonstrate that having mechanisms to identify problems accompanied with making a serious effort to rectify them can have a positive effect on service and client satisfaction.

My staff and I are privileged to continue to serve the injured workers and employers of Manitoba. The increasingly positive attitude of staff towards those who feel they have not been fairly treated makes this work even more rewarding. Open and effective communication between the administration and the Fair Practices Office greatly assists in resolving the issues brought to our attention. We look forward to working with the administration to bring continued improvement to the service provided to employers and injured workers in 2006.

Pat Macgillivray
Fair Practices Advocate

ENQUIRIES TO THE FAIR PRACTICES OFFICE

by Type 2002 - 2005

Year	2002	2003	2004	2005
Communication/Service*	169	220	214	197
Disagreements with Decisions**	235	240	223	152
Unadjudicated Claims***	83	69	58	26
Process Delays****	68	87	104	62
Information*****	234	240	306	242
Total	**789**	**856**	**905**	**679**

Category descriptions:

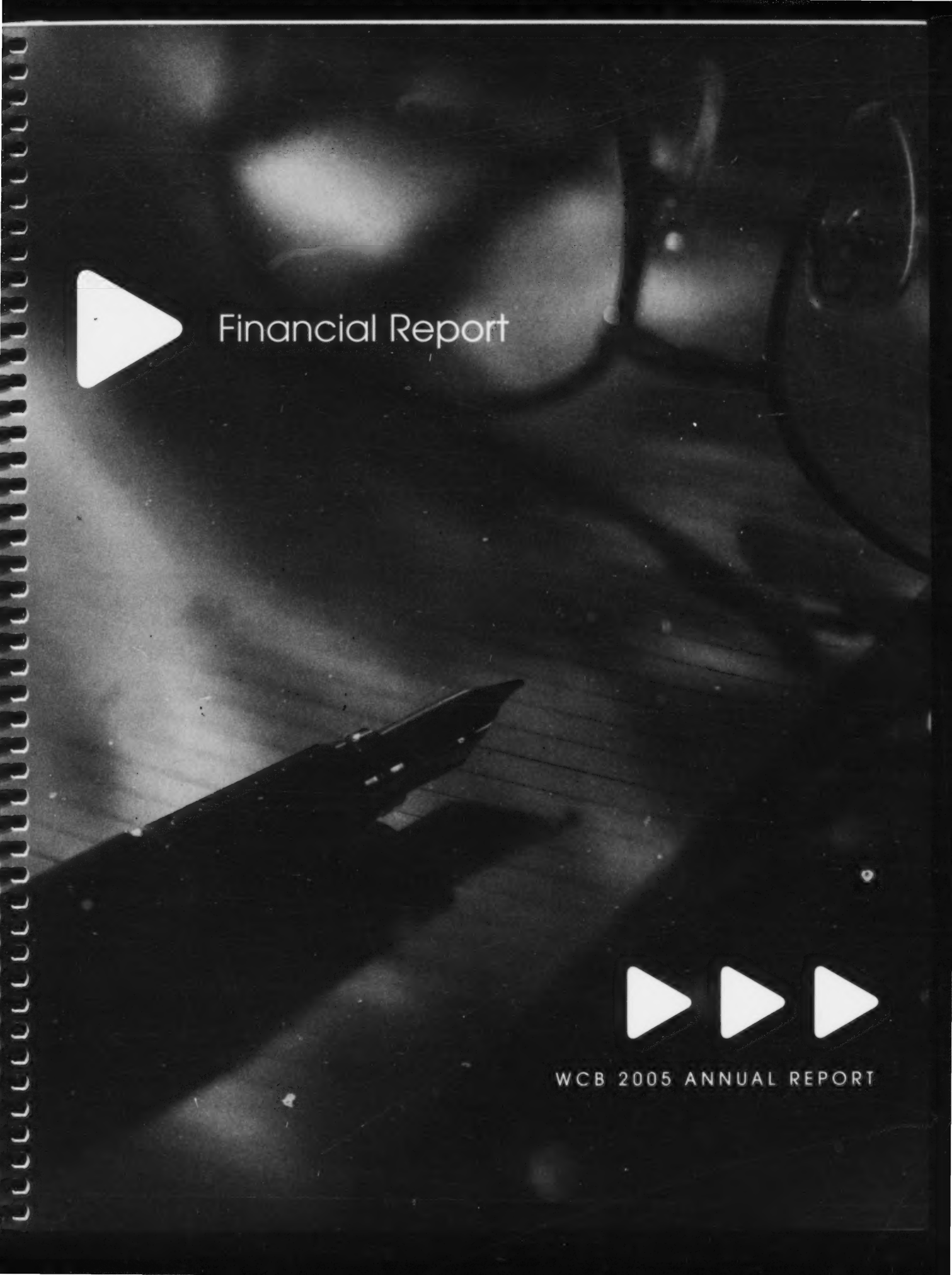
* Communication issues deal with complaints where injured workers feel they are not getting the information or service they need when they need it or in a way they understand it.

** This category captures all complaints where there is a disagreement related to claims management, benefits entitlement or termination of benefits.

*** The unadjudicated claim category captures complaints where injured workers are waiting to have their claim adjudicated because they are without income.

**** This category describes issues where injured workers waited longer than they thought appropriate. Typical, are situations in which injured workers may have waited for benefit cheques, medical aid expense payments or medical aid authorization.

***** This category describes situations where an injured worker or an employer is seeking information on legislation, board policy and procedure or claim status.



Financial Report

WCB 2005 ANNUAL REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The consolidated financial statements of the Workers Compensation Board of Manitoba (WCB) were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this annual report conforms to these financial statements.

Management believes the system of internal controls, review procedures and established policies provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. Management also believes that the WCB's operations are conducted in conformity with the law and with a high standard of business conduct. The Internal Auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the consolidated financial statements and other financial information included in this annual report on March 15, 2006.

The Audit Committee, formed in 2006, assists the Board of Directors in its responsibilities. This committee reviews and recommends approval of the financial statements and annual reports. Internal and external auditors and the actuary have unlimited access to the Audit Committee. The Audit Committee reviews the financial statements and the other contents of the annual report with management and the external auditors and reports to the Board of Directors prior to their approval for publication.

The firm of Eckler Partners Ltd. has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent review of the actuarial valuation of the benefit liabilities included in the financial statements of the WCB and to report thereon in accordance with accepted actuarial practices. Eckler Partner Ltd.'s opinion on the valuation of future benefit liabilities is provided on page 34.

Grant Thornton LLP, independent auditors appointed as a sub-agent to the Provincial Auditor General, has performed an independent audit of the consolidated financial statements of the WCB in accordance with Canadian generally accepted auditing standards. Their Auditors' Report, on page 35, outlines the scope of this independent audit and includes their opinion expressed on the 2005 consolidated financial statements.

Doug Sexsmith
President and CEO

Harold B. Dueck, CA
Vice President, Finance and Administration

March 15, 2006

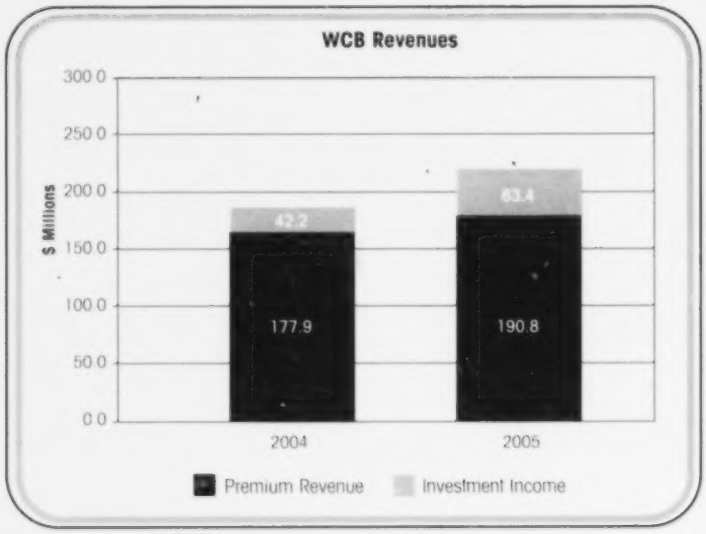
2005 MANAGEMENT DISCUSSION AND ANALYSIS

As an integral part of the annual report, the management discussion and analysis provides further insights into the operations and financial position of the WCB and should be read in conjunction with the audited consolidated financial statements and supporting notes.

2005 found the WCB on a journey towards legislative implementation. This journey began with the submission of 100 recommendations that were presented to the government by the Legislative Review Committee and culminated in the unanimous passage of Bill 25 on June 9, 2005 that enshrined many enhanced benefit changes to ***The Workers Compensation Act***. The WCB worked throughout 2005 in order to be prepared for the January 1, 2006 implementation date. Although the focus of the organization was on the future, regular operations also flourished and the WCB celebrated many successes and improvements in program delivery. The 2005 operating surplus of $23 million surpassed budget. Investment portfolio returns were an impressive 12.4 percent. The injury rate, slightly up at 4.7 time loss injuries per 100 workers, was impacted by a surge in construction activity in the province. The WCB responded by shifting prevention resources to this sector of the economy.

REVENUES INCREASED BY 15%

The WCB's revenue is derived from two sources: premium revenue and investment income. 2005 revenues totalled $254 million, a 15 percent increase over 2004 revenues of $220 million. The chart below shows the two sources of revenue:



Premium revenues are the largest revenue stream for the WCB. The average assessment rate and employer payroll levels impact these revenues. The final average assessment rate rose $0.01 in 2005 to $1.72 while employer payrolls grew 5 percent, resulting in revenues of $191 million in 2005 versus $178 million in 2004.

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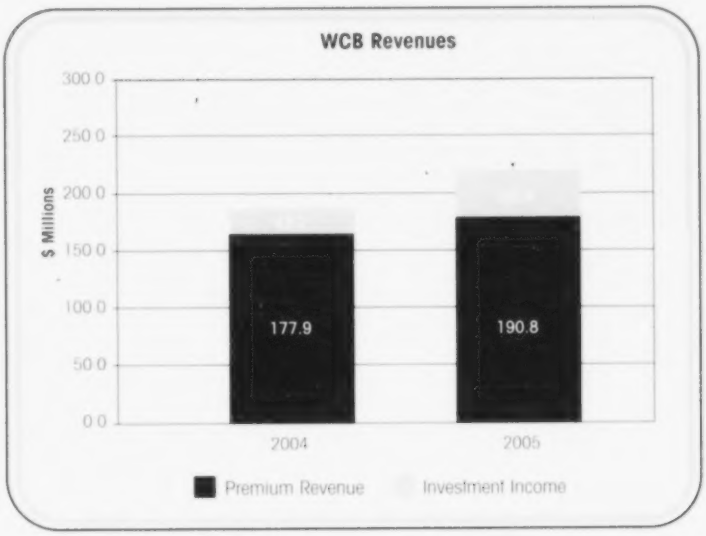

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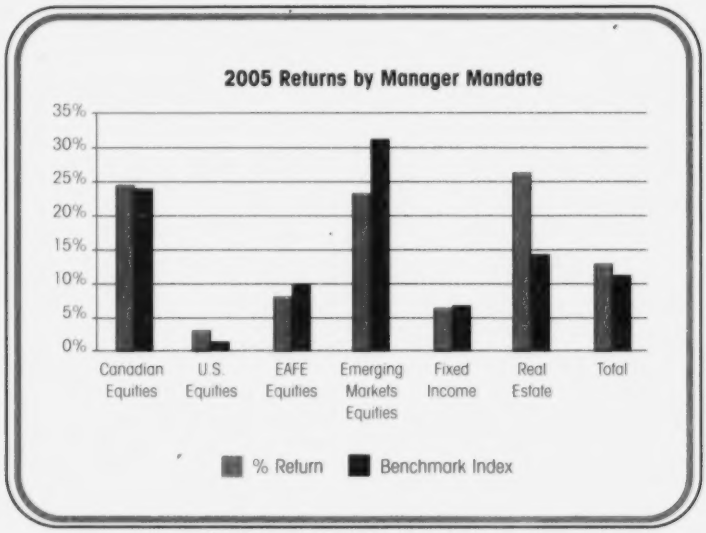
Investment income, derived from the WCB's investment portfolio, was $63 million compared to $42 million in 2004. The income for the two years is derived as follows:

- Interest and dividend income of $29 million in 2005 versus $23 million in 2004.
- Realized gains of $34 million in 2005 versus $19 million in 2004.

The portfolio is comprised of a variety of asset classes as set by policy. As at December 31, 2005, the portfolio had a market value of $865 million and an asset mix of 62 percent equities and 38 percent fixed income.

The WCB has engaged a number of professional investment managers. Each of these managers has a mandate as well as a benchmark rate of return to achieve. The gross returns before expenses by each manager's mandate and a comparison of this result to the benchmark returns are displayed in the following chart:



The gross market rate of return was 12.4 percent in 2005 (benchmark 10.7 percent) and 11.8 percent in 2004 (benchmark 9.0 percent).

The WCB real estate portfolio was almost double the relevant benchmark. Independent appraisals of several real estate investments in 2005 resulted in the real estate portfolio significantly exceeding its portfolio benchmark. Equity markets remained strong in 2005 with WCB performance in this area relatively close to the aggregate equity benchmark.

In addition to the returns by manager mandate, the WCB also had returns of 2.7 percent on the cash and short term investments component and -1.7 percent on its private placement investments.

CLAIM COSTS INCURRED INCREASED BY $19 MILLION

Claim costs incurred increased $19 million (or 12 percent) to $180 million in 2005. These costs are an estimate of the full costs for compensable injuries that occurred in 2005, together with adjustments to prior years' estimates. The estimates take into account (i) claims that are in pay, (ii) reported but as yet unpaid claims, and (iii) unreported claims.

In thousands of dollars	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total
2005	56,278	50,130	14,324	55,851	3,662	180,245
2004	65,204	34,257	14,515	43,570	3,771	161,317
	(8,926)	15,873	(191)	12,281	(109)	18,928

The discount rate for valuing benefit liabilities was adjusted from 6.75 percent to 6.50 percent at the end of 2005. This change, the second 0.25 percent reduction in two years, was made because the real and nominal interest rates have been at low levels. The result to 2005 operations was a $12 million charge to claim costs incurred ($11 million in 2004), allocated as follows: $2 million to Short Term Disability, $6 million to Long Term Disability, $3 million to Survivor Benefits and $1 million to Healthcare Benefits.

The healthcare factor increased from 2.55 to 2.65. The healthcare factor is a ratio representing the amount of future healthcare dollars that are estimated will be spent for every healthcare dollar spent in the current year and is calculated by analyzing five years of data. The factor increased largely due to the 10 percent increase in the 2005 healthcare program spending.

Short term disability claim costs incurred were $9 million lower than 2004 in spite of additional costs resulting from 2005 increased claim volumes. In 2004, the benefit liability actuarial model was updated resulting in a significant actuarial adjustment that inflated 2004 costs.

Long term disability claim costs incurred were $16 million greater than in 2004, due to the $16 million one-time cost reduction processed in 2004. This cost reduction was the result of removing the liability associated with four diseases that were no longer considered to be long latent.

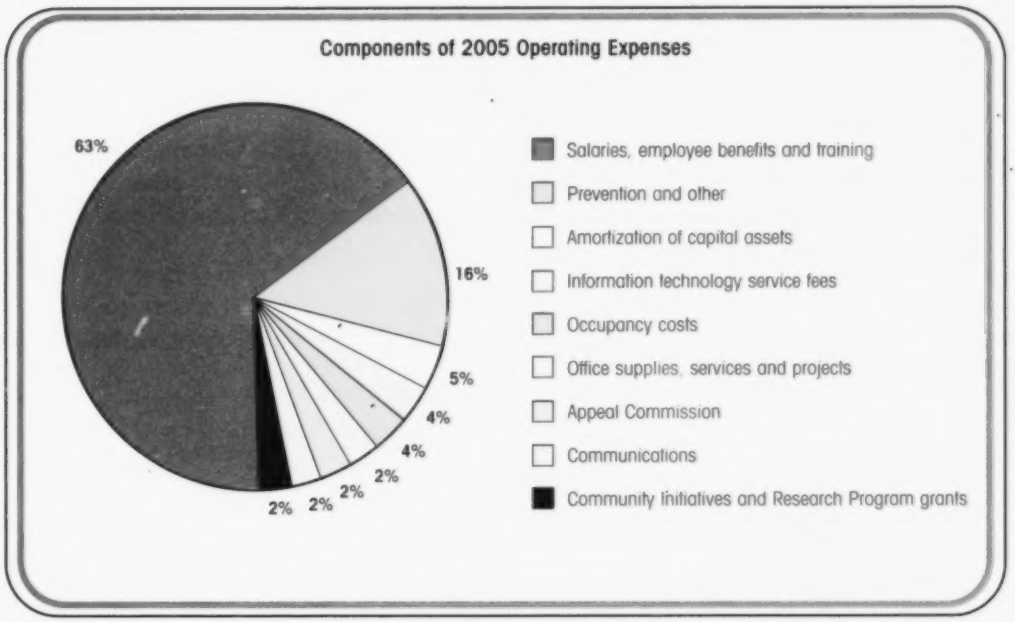
Healthcare benefit claim costs incurred for 2005 were $12 million greater than 2004 because of the healthcare factor increase and the program expense increase of 10 percent in comparison to 2004. Three percent of the increase in healthcare program cost was attributable to a payment made to Manitoba Health in recognition of services provided to WCB injured workers for 2005 and prior years.

BENEFIT LIABILITIES INCREASED BY $28 MILLION

The benefit liabilities increase (or actuarial adjustment) for 2005 was $28 million ($13 million in 2004). The change in the benefit liability is closely aligned with the adjustments that were explained in the previous section. In addition, the opening benefit liability balance was $13 million greater than the previous year due to the actuarial model update and the 2004 discount rate change – the first of two 0.25 percent reductions to the discount rate.

OPERATING EXPENSES INCREASED BY 4%

The majority of the operating expenses increase was in the salaries, employee benefits and training category. With the exception of a slight increase in funding for the Manitoba government's Workplace Safety and Health Division (prevention and other), the WCB maintained status quo on the remaining cost areas while improving customer service, implementing customer driven process changes, continuing to grow recognition of the SAFE Work message and successfully preparing for the January 1, 2006 introduction of Bill 25. The additional funding for Workplace Safety and Health Division supported their expanded efforts to improve Manitoba's safety culture.



OPERATING SURPLUS OF $23 MILLION

The operating surplus of $23 million provides a strong base as the WCB heads into 2006 and implements the enhanced benefits of Bill 25. These benefits, estimated to cost $9.8 million, are being introduced without an increase to the average assessment rate.

The WCB had budgeted for a $7 million surplus in 2005. Revenues came in $31 million over budget at $254 million, with costs $15 million over budget at $231 million, resulting in the favourable year end result. Investment revenues were the main reason for the positive revenue results, while the increased volume of injuries forced claim costs incurred over budget.

TOTAL COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

Other Comprehensive Income for 2005 was $31 million, resulting in a Total Comprehensive Income for the year of $54 million. These financial amounts reflect the unrealized gains and losses of the WCB's investment portfolio. As these can be volatile year over year, depending on the investment market, the WCB focuses on the operating surplus, which excludes the impact of these items.

The Accumulated Other Comprehensive Income as at December 31, 2005 was $91 million ($60 million in 2004).

STRONG BALANCE SHEET

The 2005 funding ratio (ratio of total assets to total liabilities) is 125 percent with total reserves of $185 million. This ratio is one measure of the financial strength of the WCB with any amount over 100 percent indicating that the WCB is fully funded. Much of this positive performance has come about as a result of strong investment markets and returns for the past three years, building the WCB's investment portfolio value to $865 million, an increase of $80 million over the 2004 year end balance.

ACTUARIAL OPINION

with respect to
Future Benefit Liabilities of
the Workers Compensation Board of Manitoba

based on an actuarial valuation as at December 31, 2005

We have completed an actuarial valuation as at December 31, 2005 of the benefit liabilities for insured and self insured employers under ***The Workers Compensation Act*** of Manitoba as amended to the valuation date. The purpose of this valuation was to estimate the liabilities of the WCB in respect of injuries that occurred on or before the valuation date for inclusion in the 2005 financial statements.

Our estimate of the liabilities as at December 31, 2005 is $731.1 million. This includes provisions for claims arising from specific long latent occupational diseases and for the future cost of administering claims. These provisions have been calculated based on analyses performed by the WCB.

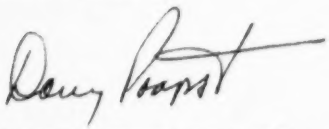
We reviewed the data supplied by the WCB and have performed tests to confirm their reasonableness and consistency with that used in the prior valuation. In our opinion, the data are sufficient and reliable for the purposes of the valuation.

The assumptions and methods used are generally consistent with those of the prior valuation and are described more fully in our report. An exception to this is that the discount rates are 6.50 percent for non-indexed benefits, 3.50 percent for inflation linked benefits, and 2.50 percent for wage linked or healthcare benefits, each reduced by 0.25 percent from the rates used in the previous valuation. Other assumptions and methods used in the valuation, as described in our report, are based on the current practices and administrative procedures of the WCB and on historical claims experience. In our opinion, the assumptions used are, in aggregate, appropriate for the purposes of the valuation and the methods employed in the valuation are appropriate for the purposes of the valuation.

The report on which this opinion is based has been prepared, and our opinion given, in accordance with accepted actuarial practice.

Respectfully submitted,

Eckler Partners Ltd.



A. Douglas Poapst, F.S.A., F.C.I.A.
March 3, 2006

AUDITORS' REPORT

To the Workers Compensation Board of Manitoba

We have audited the consolidated balance sheet of the **Workers Compensation Board of Manitoba** as at December 31, 2005 and the consolidated statements of operations and accident fund reserve, comprehensive income, changes in accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Winnipeg, Canada
March 3, 2006

Grant Thornton LLP
Chartered Accountants

CONSOLIDATED BALANCE SHEET

December 31, 2005
(in thousands of dollars)

	2005	2004
Assets		
Cash (Note 3)	$ 1,836	$ 2,079
Receivables and other (Note 4)	32,542	30,864
Investment portfolio (Note 5)	865,343	785,871
Deferred assessments (Note 6)	25,862	22,870
Capital assets (Note 7)	11,621	11,844
	$ 937,204	$ 853,528
Liabilities and Funded Position		
Payables and accrued liabilities (Note 8)	$ 21,546	$ 19,562
Benefit liabilities (Note 10)	731,093	703,447
Total liabilities	752,639	723,009
Accident fund reserve	93,521	70,491
Accumulated other comprehensive income	91,044	60,028
Funded position	184,565	130,519
	$ 937,204	$ 853,528

Signed on behalf of the Board of Directors

Tom J. Farrell
Chairperson, Board of Directors

Marla Garinger Niekamp
Audit Committee of the Board of Directors

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCIDENT FUND RESERVE

Year Ended December 31, 2005
(in thousands of dollars)

	2005	2004
Revenue		
Premium revenue (Note 12)	$ 190,775	$ 177,897
Investment income (Note 5)	63,415	42,218
Total revenue	254,190	220,115
Expenses		
Claim costs incurred (Note 10)	180,245	161,317
Operating expenses (Note 13)	50,915	49,140
Total expenses	231,160	210,457
Operating surplus	**23,030**	**9,658**
Accident fund reserve at beginning of year	70,491	24,878
Transfer from rate stabilization fund (Note 1)	-	35,955
Accident fund reserve at end of year	$ 93,521	$ 70,491

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2005
(in thousands of dollars)

	2005	2004
Operating surplus	$ 23,030	$ 9,658
Other comprehensive income		
Unrealized gains on available-for-sale financial assets	64,594	55,813
Reclassification of realized gains to the Consolidated Statement of Operations and Accident Fund Reserve (Note 5)	(33,578)	(19,111)
Other comprehensive income	31,016	36,702
Total comprehensive income	$ 54,046	$ 46,360

CONSOLIDATED STATEMENT OF CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME

Year Ended December 31, 2005
(in thousands of dollars)

	2005	2004
Accumulated Other Comprehensive Income		
Balance at beginning of year	$ 60,028	$ 23,326
Other comprehensive income	31,016	36,702
Balance at end of year	$ 91,044	$ 60,028

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2005
(in thousands of dollars)

	2005	2004
Operating cash flows		
Premiums from employers	$ 186,107	$ 174,636
Investment income	28,339	25,909
Payments to clients or third parties on their behalf	(152,599)	(147,993)
Purchases of administration goods and services	(50,424)	(49,535)
Net cash provided by operating activities	11,423	3,017
Investing cash flows		
Proceeds on disposal of investments	1,839,029	1,363,224
Purchases of investments	(1,848,499)	(1,363,407)
Capital asset acquisitions, net of disposals	(2,196)	(2,268)
Net cash used by investing activities	(11,666)	(2,451)
Net (decrease) increase in cash	(243)	566
Cash at beginning of year	2,079	1,513
Cash at end of year	$ 1,836	$ 2,079

The accompanying notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2005
($ amounts in thousands of dollars unless otherwise noted)

1. NATURE OF OPERATIONS

The Workers Compensation Board of Manitoba (the WCB) was created in 1917 under the authority of ***The Workers Compensation Act*** of Manitoba. In accordance with the provisions of the ***Act***, the WCB is responsible for:

- prevention of workplace injuries and occupational diseases in conjunction with the Manitoba government's Workplace Safety and Health Division,
- administering payments to injured workers and suppliers of services to injured workers,
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims, and
- investing surplus funds.

An independent Workers Compensation Appeal Commission operates under the ***Act*** to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The WCB's mission is to provide superior compensation services to Manitoba workers and employers in a manner that is sensitive, responsive and effective. The WCB compensates for lost wages, provides support and arranges for rehabilitative help and has a responsibility to injured workers, their families and their employers to help the injured workers return to health and work in a timely and safe manner.

The workers compensation system is funded through premiums collected from employers. The Workers Compensation Board of Manitoba does not receive government funding or assistance. Surplus funds are invested and are used to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or extraordinary claims costs. To that end, an Accident Fund Reserve, attributable to the Class E employers exists. The target balance for this reserve is based on a formula modified from the Minimum Contributing Capital and Surplus Requirements rules set out by the Office of the Superintendent of Financial Institutions, Canada. The calculation moves in tandem with changes in the size of the WCB's assets and liabilities thereby calculating a reserve target that reduces risk to the organization. The target balance for the Accident Fund Reserve was $169.1 million at the end of 2005 ($161.9 million in 2004). In 2004, the Rate Stabilization Fund was combined with the Accident Fund Reserve and the $36.0 million balance in the Rate Stabilization Fund was transferred to the Accident Fund Reserve.

The WCB's funding policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the ***Act*** and that annual influences do not unduly distort the funding process. The WCB is committed to operating on a fully funded basis to a level funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future

generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level fashion over the worker's period of exposure to the elements which led to the injury or disease.

2. SIGNIFICANT ACCOUNTING POLICIES

The WCB's significant accounting policies are as follows:

Measurement Uncertainty

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, which requires the WCB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Basis of Consolidation

These consolidated financial statements include the accounts of the WCB and its wholly owned subsidiary WCB Realty Limited, an investment company whose sole purpose is to directly purchase and hold real estate investment properties. Intercompany balances and transactions are eliminated on consolidation.

Investments

Under the provisions of Canadian Institute of Chartered Accountants (CICA) 3855 Financial Instruments – Recognition and Measurement, the financial assets of the WCB's investment portfolio are designated as available for sale, and carried at fair value. Other than the real estate portfolio assets in WCB Realty Limited, gains and losses arising from the change in fair value that has occurred during the year are recorded in Other Comprehensive Income until the investment is derecognized (sold). At that time, the cumulative gain or loss previously recognized in Other Comprehensive Income is designated a realized gain or loss and reclassified to investment income in the Consolidated Statement of Operations and Accident Fund Reserve. Income from interest and dividends is recognized in the period earned. Investment income is presented net of investment expenses.

WCB consolidates the real estate portfolio of WCB Realty Limited at fair value, in accordance with CICA Accounting Guideline 18 – Investment Companies. Changes in fair value that occurred during the year are recorded in investment income in the Statement of Operations.

Fair Value of Investments

Investments are stated at fair value, which is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Publicly traded investments are stated at year end market prices as listed on the appropriate stock exchange, or as provided by the custodian from independent sources.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator.

The fair value of real estate is determined annually by management based on a combination of the most recent independent appraisals and market data available.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight line basis over their estimated useful lives, as follows:

Computer equipment	3 - 5 years
Systems development projects	3 -10 years
Furniture, fixtures and equipment	5 years
Building renovations and leasehold improvements	2 -10 years
Building	40 years

Employee Future Benefits

The actuarial determination of the accrued benefit obligation for pensions and other retirement benefits uses the projected benefit method prorated on service. This method incorporates management's best estimates of salary escalation, investment rate of return, retirement ages of employees and other actuarial factors. Actual results could differ from these estimates as the assumptions are of a long term nature, consistent with the nature of employee future benefits.

Actuarial gains (losses) arise from the difference between the actual long term rate of return on plan assets for a period and the expected long term rate of return for that period, or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the greater of plan assets or liabilities is amortized over the expected average remaining service life of active employees. Past service costs are amortized on a straight line basis over the remaining service life of active employees expected to receive benefits under the plan.

On January 1, 2000, the WCB adopted the new accounting standard on employee future benefits using the prospective application method. The WCB is amortizing the transitional asset (pension) and transitional liability (other) on a straight line basis over 15 years, which was the average remaining service life of active employees expected to receive benefits under the benefit plans as of January 1, 2000.

Benefit Liabilities

The WCB's independent consulting actuary conducts a review of and reports on the benefit liabilities of the WCB at each year end. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and provisions for the future expenses of administering the existing claims.

The benefit liabilities also include the estimated liability for long latent occupational diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefit liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision.

Fair Value of Other Financial Assets and Liabilities

Other financial assets and liabilities consist of cash and cash equivalents, accounts receivable and accounts payable. The carrying value of these items approximates their fair value, consistent with the short term nature of these items.

Accumulated Other Comprehensive Income

The designation of the WCB's investment portfolio as available for sale requires the WCB to use Accumulated Other Comprehensive Income. The Accumulated Other Comprehensive Income is comprised of the cumulative unrealized gains and losses arising from the investment portfolio that, in accordance with primary sources of generally accepted accounting principles, are recognized in other comprehensive income but excluded from the operating surplus.

Premium Revenue

The operations of the WCB are categorized, in accordance with the ***Act***, into Class E (general employers pool) and several classes of self insured employers.

Employers registered within Class E are subject to collective liability, and premium revenue is estimated by applying applicable industry assessment rates to the employers' reported payrolls for the current year. Any difference between the estimated premium revenue and the actual premium revenue is credited or charged to income in a subsequent year.

Self insured employers, principally government bodies and railways and their subsidiaries, are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of self insured employers. As such, premium revenue from self insured employers is recognized as these costs are incurred.

Foreign Currency Translation

Transactions in foreign currencies are converted to Canadian dollars at the exchange rate in effect at the time of the transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Unrealized foreign currency exchange gains and losses arising from the investment portfolio are recorded in Other Comprehensive Income until the investment is derecognized (sold). At that time, the cumulative foreign currency exchange gain or loss previously recognized in Other Comprehensive Income is designated a realized foreign currency exchange gain or loss and reclassified to investment income.

3. CASH

The WCB has established an operating line of credit with its principal banker in the amount of $3.0 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB has also established a revolving credit facility with the Province of Manitoba in the amount of $40.0 million. Advances on the revolving credit facility bear interest at the Province's preferred lending rate. Both credit facilities are unsecured.

4. RECEIVABLES AND OTHER

	2005	2004
Premiums from Class E employers	$ 23,572	$ 23,411
Allowance for doubtful accounts	(1,463)	(1,522)
	22,109	21,889
Premiums from self insured employers	3,296	2,315
Sundry	1,329	1,238
Accrued pension benefit asset (Note 9)	5,808	5,422
	$ 32,542	$ 30,864

5. INVESTMENT PORTFOLIO

Fair Value of the Investment Portfolio

	2005	2004
Equities		
Canadian	$ 198,383	$ 191,863
Private placements	29,285	18,098
U.S.	109,665	108,032
Europe, Australia & Far East	85,938	81,282
Emerging markets	23,425	19,016
	446,696	418,291
Cash and short term investments	42,552	28,622
Fixed income	286,977	267,050
Real estate (see table below)	89,118	71,908
Total	$ 865,343	$ 785,871

Real Estate Portfolio

The real estate portfolio can be further broken down as follows:

	2005	2004
Real estate directly held, gross	$ 58,830	$ 42,185
Less mortgages payable	(31,473)	(26,726)
	27,357	15,459
Real estate indirectly held	61,761	56,449
	$ 89,118	$ 71,908

Mortgages payable bear interest at rates ranging from 5.33 percent to 7.36 percent per annum, and maturity dates range from 2008 to 2014. Scheduled principal and interest payments for 2006 on these mortgages total $2.4 million. The scheduled amounts of principal repayments in each of the next five years are as follows:

2006	2007	2008	2009	2010	Subtotal	Thereafter	Total
$684	$731	$3,562	$5,544	$8,677	$19,198	$12,275	$31,473

Investment Income

Investment income was derived from the following sources:

	2005	2004
Cash and short term investments	$ 849	$ 650
Fixed income	13,679	13,991
Real estate (see table below)	11,339	4,566
Canadian equities	3,977	3,390
Foreign equities	3,913	4,060
Realized gains reclassified from other comprehensive income	33,578	19,111
Loan interest	(14)	(24)
Expenses	(3,906)	(3,526)
Investment income	$ 63,415	$ 42,218

Real Estate Income

The réal estate income can be further broken down as follows:

	2005	2004
Income on real estate directly held	$ 10,158	$ 1,344
Less expenses	(2,838)	(687)
	7,320	657
Net income on real estate indirectly held	4,019	3,909
	$ 11,339	$ 4,566

Commitments

The WCB has contractual agreements to contribute further funding to a maximum of $25.8 million ($43.7 million in 2004) to specific investment projects to be financed from the existing portfolio or from available cash.

Market Risk

The WCB invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The WCB does not use derivative financial instruments to alter the effects of these market changes and fluctuations.

Credit Risk Management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 97 percent (96 percent in 2004) have at least an A credit rating. The WCB does not anticipate that any borrowers will fail to meet their obligations.

Securities Lending

The WCB may lend, for fee income, any of its securities to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105 percent of the market amount of the asset borrowed. As at December 31, 2005, these loans amounted to $73.4 million ($108.8 million in 2004).

Foreign Exchange Risk Management

The WCB has certain investments denominated in foreign currencies. During 2005, the WCB did not undertake hedging strategies for the currency risk of foreign investments. While currency fluctuations influenced short term returns, these fluctuations are not expected to affect the long term position of the investment portfolio.

Interest Rate Risk Management

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. As at December 31, 2005, the remaining term to maturity of the WCB's bond portfolio was 13.1 years (13.8 years in 2004).

6. DEFERRED ASSESSMENTS

Deferred assessments represent the WCB's estimate of premiums which will be received in the future from self insured employers to fund the future costs of existing claims that have arisen from their employees. The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee. The changes in deferred assessments were as follows:

	2005	2004
Balance at beginning of year	$ 22,870	$ 22,534
Change in future cost liability	4,225	492
Change in pension related transactions	(38)	1,116
Interest allocation	(1,195)	(1,272)
Net change in deferred assessments	2,992	336
Balance at end of year	$ 25,862	$ 22,870

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Computer equipment	$ 11,039	$ 9,419	$ 1,620	$ 1,777
Systems development projects	10,072	6,633	3,439	3,333
Furniture, fixtures and equipment	1,927	1,893	34	49
Building renovations and leasehold improvements	3,374	2,203	1,171	1,272
Building and land	5,722	365	5,357	5,413
	$ 32,134	$ 20,513	$ 11,621	$ 11,844

As a result of asset dispositions, costs of $0.5 million ($1.3 million in 2004) for computer equipment and furniture, fixtures and equipment, and the offsetting accumulated depreciation were removed from the accounting records. A gain of $10.0 thousand ($14.0 thousand in 2004) was recognized on the sale of these fully depreciated capital assets.

8. PAYABLES AND ACCRUED LIABILITIES

	2005	2004
Accounts payable and accrued liabilities	$ 2,516	$ 2,116
Client annuity program	9,076	7,593
Community Initiatives and Research Program grants	1,904	1,722
Deposits from self insured employers	1,414	1,428
Employee vacation entitlements	2,539	2,344
Unearned revenue	1,273	1,688
Other payables	1,216	1,326
Sick leave plan (Note 9)	1,608	1,345
	$ 21,546	$ 19,562

9. EMPLOYEE FUTURE BENEFITS

The WCB has two employee benefit plans which provide pension and other post-employment benefits to its employees. The cost of these employee benefit plans is recorded as an expense in the period in which employees' services are rendered.

The pension plan, which is funded by employee and employer contributions, is made up of the WCB Retirement Plan and the Supplementary Employee Retirement Plan. The WCB Retirement Plan is a defined benefit pension plan that provides partially indexed pensions (two-thirds of the Consumer Price Index for Canada) based on years of service and the best five consecutive years average earnings in the last 12 years of employment. The Supplementary Employee Retirement Plan provides that the employees of the WCB whose earnings exceed the threshold earnings for the maximum pension benefit permitted under the federal ***Income Tax Act*** will receive pension benefits based on their total pensionable earnings.

The WCB also has a defined benefit plan that provides for a payment of sick leave credits to employees that meet established criteria upon termination or retirement. Employees are not required to contribute to this plan.

Total cash payments for employee future benefits for 2005, consisting of cash contributed by the WCB to the funded pension plan and cash payments directly to beneficiaries for the unfunded sick leave plan, were $2.1 million ($2.0 million in 2004).

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the Retirement Plan for funding purposes was as of December 31, 2002. A funding valuation as at December 31, 2005 is required to be filed with regulators by September 30, 2006.

Information about the WCB's employee benefit plans for the year is as follows:

	Pension Plan		Sick Leave Plan	
	2005	2004	2005	2004
Benefits paid by the plan	$ 3,461	$ 1,369	$ 154	$ 76
Employer contributions	1,971	1,905	154	76
Employee contributions	1,465	1,423	-	-
Employee future benefit expense	1,585	1,762	417	392
Actual return on plan assets (%)	11.4%	10.3%	-	-

Reconciliation of funded status of the benefit plans to amounts included in the financial statements:

	Pension Plan		Sick Leave Plan	
	2005	2004	2005	2004
Fair value of plan assets	$ 70,601	$ 63,595	-	-
Accrued benefit obligation	76,943	62,530	$ 3,030	$ 2,515
Plan surplus (deficit)	(6,342)	1,065	(3,030)	(2,515)
Balance of unamortized losses	12,150	4,357	1,422	1,170
Accrued benefit asset (liability)	$ 5,808	$ 5,422	$ (1,608)	$ (1,345)

The accrued benefit asset for the pension plan is included in receivables and other. The accrued benefit liability for the sick leave plan is included in payables and accrued liabilities.

The key actuarial assumptions used to value the employee future benefit liabilities as at December 31 are as follows:

	Pension Plan		Sick Leave Plan	
	2005	2004	2005	2004
Discount rate	5.5%	6.0%	6.0%	6.5%
Expected long term rate of return on plan assets	6.75%	7.0%	-	-
Rate of compensation increase	3.75%	4.0%	2.75%	2.75%
Expected average remaining service life (in years)	16	15	16	15

The asset allocation for the pension plan is:

	2005	2004
Equity	58.0%	55.6%
Fixed income (including short term investments)	42.0%	44.4%

10. BENEFIT LIABILITIES

Benefit liabilities are determined in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefit payments reflects management's long term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

The key actuarial assumptions used to value the benefit liabilities as at December 31 are as follows:

	2005	2004
Discount rate for non-indexed benefits	6.5%	6.75%
Discount rate for CPI-indexed benefits	3.5%	3.75%
Discount rate for wage-indexed benefits	2.5%	2.75%
Discount rate for healthcare benefits	2.5%	2.75%

Effective December 31, 2005, the discount rates were all reduced by 0.25 percent. This change increased the benefit liability by $11.5 million.

An analysis of the components of and changes in benefit liabilities is as follows:

	2005						2004
	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 94,804	$ 343,500	$ 147,182	$ 99,023	$ 18,938	$ 703,447	$ 690,123
Add: Claim costs incurred							
Current year	83,651	1,410	7,380	39,721	6,625	138,787	114,019
Prior years	(27,373)	48,720	6,944	16,130	(2,963)	41,458	47,298
	56,278	50,130	14,324	55,851	3,662	180,245	161,317
Less: Claim payments made							
Current year	25,713	89	358	15,456	18	41,634	38,685
Prior years	26,196	43,427	13,291	25,349	2,702	110,965	109,308
	51,909	43,516	13,649	40,805	2,720	152,599	147,993
Balance at end of year	$ 99,173	$ 350,114	$ 147,857	$ 114,069	$ 19,880	$ 731,093	$ 703,447

The liability for short term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, and estimated future pension payments. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace injuries or illnesses. Healthcare liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are externally supplied to the WCB.

Included in long term disability is the WCB's liability, in the amount of $38.5 million ($37.9 million in 2004), for the future cost of claims relating to certain long latent occupational diseases which may have occurred in the current year or prior years, but which may not be recognized and reported for a number of years due to the extended latency periods of such diseases.

Also included in benefit liabilities is a provision in the amount of $43.7 million ($42.3 million in 2004) for the future cost of administering existing claims.

11. BENEFIT LIABILITIES FOR SELF INSURED EMPLOYERS

Note 10 contains a complete description of the components of the WCB's benefit liabilities for all employers. An analysis of the portion relating to self insured employers is as follows:

	2005						2004
	Short Term Disability	**Long Term Disability**	**Survivor Benefits**	**Healthcare Benefits**	**Rehabilitation Services**	**Total**	**Total**
Balance at beginning of year	$ 7,311	$ 32,328	$ 25,939	$ 10,830	$ 939	$ 77,347	$ 77,187
Add: Claim costs incurred							
Current year	9,117	338	631	5,791	601	16,478	12,524
Prior years	(1,014)	4,804	1,729	1,702	(309)	6,912	5,307
	8,103	5,142	2,360	7,493	292	23,390	17,831
Less: Claim payments made							
Current year	3,376	11	-	1,722	-	5,109	4,363
Prior years	3,200	4,179	2,686	3,869	103	14,037	13,308
	6,576	4,190	2,686	5,591	103	19,146	17,671
Balance at end of year	$ 8,838	$ 33,280	$ 25,613	$ 12,732	$ 1,128	$ 81,591	$ 77,347

Included in premiums and claim costs for self insured employers are payments in the amount of $3.2 million ($2.8 million in 2004) made by self insured employers directly to injured workers on the WCB's behalf. These amounts are reported to the WCB for inclusion in these financial statements.

Included in the benefit liabilities balance is $4.0 million ($3.9 million in 2004) for self insured employers' share of the long latent occupational disease liability and $3.8 million ($3.5 million in 2004) for the future cost of administering existing claims.

12. PREMIUM REVENUE

	2005	2004
Premiums – Class E employers	$ 167,203	$ 159,709
Assessments – Self insured employers	20,580	17,852
Increase in deferred assessments (Note 6)	2,992	336
Total premium revenue	$ 190,775	$ 177,897

13. OPERATING EXPENSES

	2005	2004
Salaries, employee benefits and training	$ 32,251	$ 30,868
Information technology service fees	1,825	1,921
Occupancy costs	1,859	1,744
Office supplies, services and projects	1,323	1,081
Communications	1,062	875
Professional fees	750	731
Donations	81	96
Amortization of capital assets	2,419	2,787
Appeal Commission	1,109	1,088
Community Initiatives and Research Program grants	1,000	1,000
Recoveries from the Government of Canada	(725)	(695)
Prevention and other (Note 14)	7,961	7,644
Total operating expenses	$ 50,915	$ 49,140

Of the total operating expenses, $3.6 million ($3.2 million in 2004) was allocated to self insured employers based on the current year's transaction volumes.

The WCB administers the ***Government Employees Compensation Act*** program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of administration expenses.

14. RELATED PARTY TRANSACTIONS

Pursuant to ***The Workplace Safety and Health Act*** of Manitoba, the Province may pay the expenses incurred in the administration of that ***Act*** out of the consolidated fund and may, subsequently, recover such portion as it may determine from the class funds under ***The Workers Compensation Act*** of Manitoba. For 2005, the amount charged to operations under this provision is $5.8 million ($5.7 million in 2004).

Also, under Section 84.(1) of ***The Workers Compensation Act*** of Manitoba, the Province may pay the costs incurred in respect of worker advisors and may recover them from the class funds. For 2005, the amount charged to operations under this provision is $0.9 million ($0.9 million in 2004).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self insured employer under ***The Workers Compensation Act*** of Manitoba. Account balances resulting from these transactions are included in these financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio are guaranteed debentures issued by the Province of Manitoba in the amount of $6.5 million ($5.8 million in 2004).

15. COMMITMENTS

The WCB has signed operating leases for office premises expiring at various times until August 31, 2010. The minimum lease obligations over the next five years are:

2006	2007	2008	2009	2010	Total
$533	$453	$419	$272	$163	$1,840

16. SUBSEQUENT EVENT

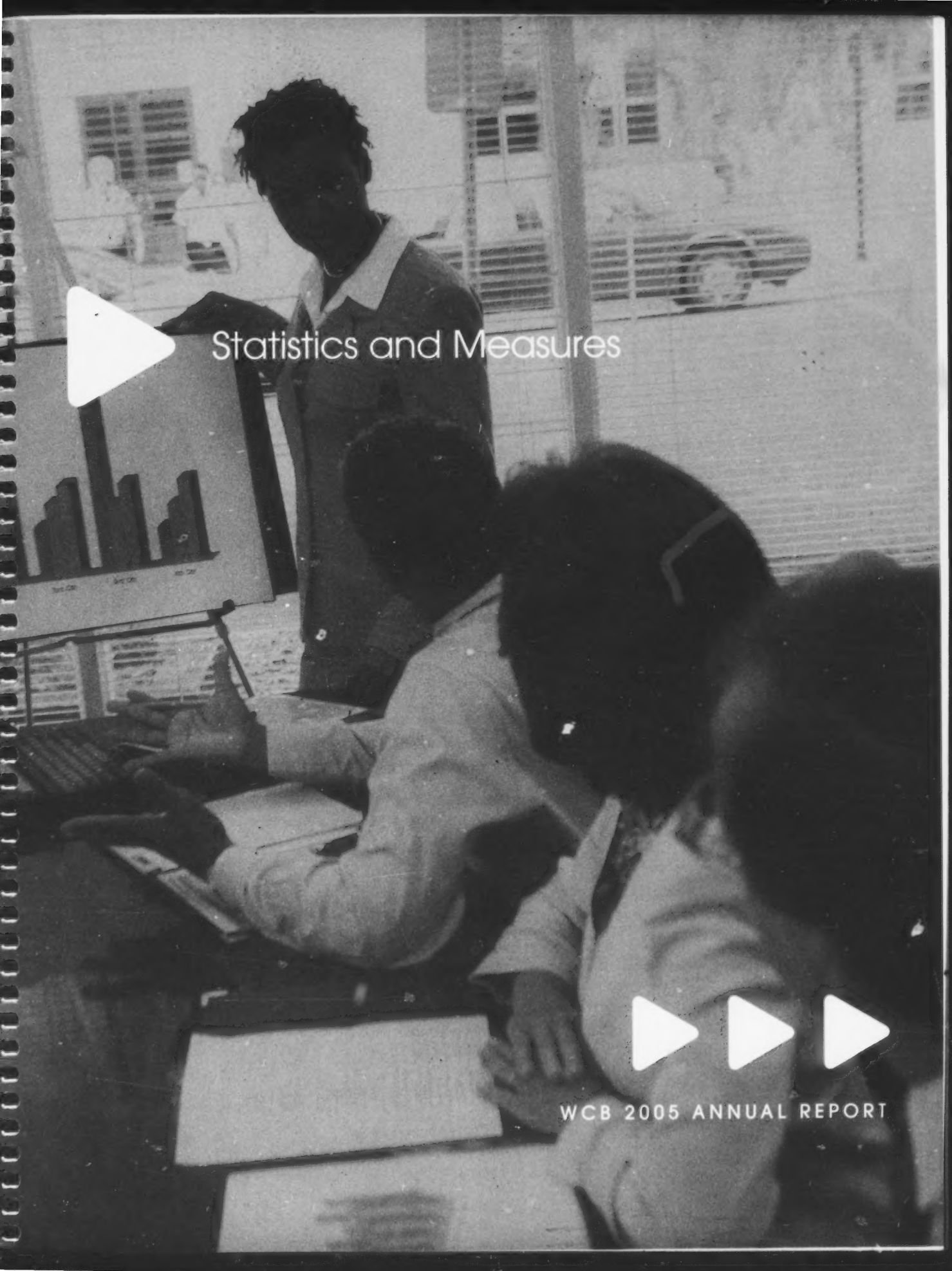
Effective January 1, 2006, with the exception of firefighter changes effective June 9, 2005 and employers' obligation to re-employ injured workers under certain circumstances to be effective in 2007, new legislation (Bill 25) came into effect that will impact the benefit levels for new claims arising on or after January 1, 2006.

17. AUDITOR INDEPENDENCE

Grant Thornton LLP did not provide any non-audit services for the years ended December 31, 2005 and December 31, 2004.

18. COMPARATIVE FIGURES NOTE

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



Statistics and Measures

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In addition to the statistical information provided in this Annual Report, a **Manitoba Workplace Injury and Illness Statistics Report** *is published. This annual document is a joint presentation of the WCB and the Manitoba government's Workplace Safety and Health Division. To obtain a copy of this report, please call* **954-4760** *or toll-free* **1-800-362-3340**.

INTRODUCTION

The WCB is committed to the organizational goals built upon four themes - Prevention, Recovery, Service and Stewardship. Specific measures have been developed to gauge progress towards these goals.

These statistics and measures enable the WCB to analyze and report on its performance in the current year and measure progress from previous years. Where appropriate, the Manitoba WCB's performance versus the performance of other WCBs across Canada is documented.

PREVENTION

ACCEPTED CLAIMS AND INJURY RATE TRENDS

The WCB is committed to increasing prevention awareness and reducing the province's time loss injury rate. The overall goal of reducing the time loss injury rate by 25 percent is within reach. The WCB recognizes that after an initial period of significant reductions, the ability to make gains is now somewhat more challenging (see chart below). The WCB is committed to seeking opportunities for safety and prevention enhancements that will allow us to reach our goal and ensure Manitobans enjoy safe and healthy workplaces.

Accepted or Unadjudicated Claims	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Time Loss Claims	20,054	18,771	18,109	17,609	17,308	17,716
Fatalities	27	28	38	19	21	29
Pension	66	120	131	138	163	191
a) Total Time Loss Claims	**20,147**	**18,919**	**18,278**	**17,766**	**17,492**	**17,936**
No Time Loss Claims	20,052	18,114	17,322	17,767	17,372	17,531
Total Accepted or Unadjudicated Claims	**40,199**	**37,033**	**35,600**	**35,533**	**34,864**	**35,467**
b) Total Covered Population (full time equivalents)*	347,000	362,000	367,000	377,000	[illegible],000	382,000
Time Loss Injury Rate (a/b)	**5.8**	**5.2**	**5.0**	**4.7**	**4.6**	**4.7**

The time loss injury rate is the number of time loss injuries per 100 workers.

Goal: 25% reduction to time loss injury rate.
The actual reduction from 2000 to 2005 is 19%.

* Estimated Number

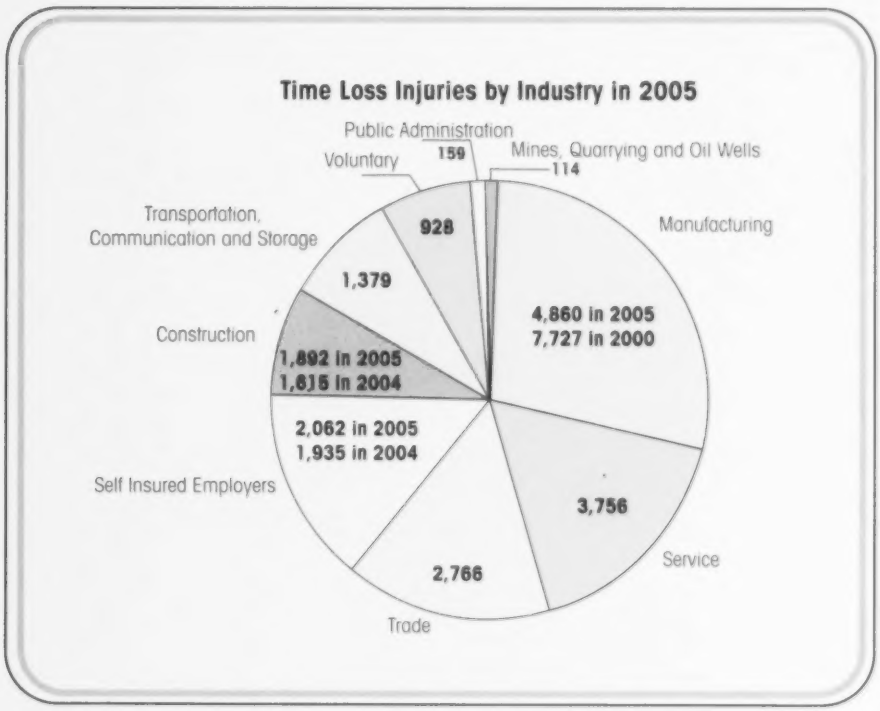
TRENDS IN INJURIES AND TARGETS FOR PREVENTION

The WCB maintains statistics on the following aspects of injuries: time loss injuries by industry, region of body injured and nature of injury.

Injuries by Industry

The pie chart below shows time loss injuries for 2005 distributed by industry. In viewing this information, as well as other indicators and trends from the past several years, it is clear that the WCB and the Manitoba government's Workplace Safety and Health Division (WSHD) must continue to focus on safety and prevention in order to improve the outcomes going forward for all industries.

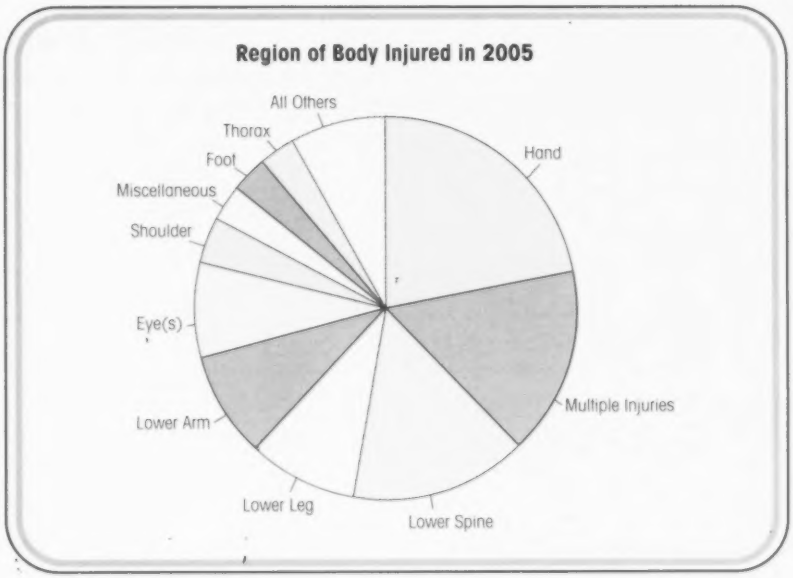
The manufacturing industry has been working with the WCB and the WSHD to improve their prevention and safety record. These efforts show positive results - manufacturing lowered the number of time loss injuries by 37 percent since 2000. Construction and self insured employers, however, experienced higher injuries in 2005 after seeing relatively static injury numbers from 2000 to 2004. The number of injuries for the remaining industries improved slightly or stayed fixed over the past several years. The WCB is committed to enhancing its safety and prevention efforts and initiatives have been put in place to target areas of concern.

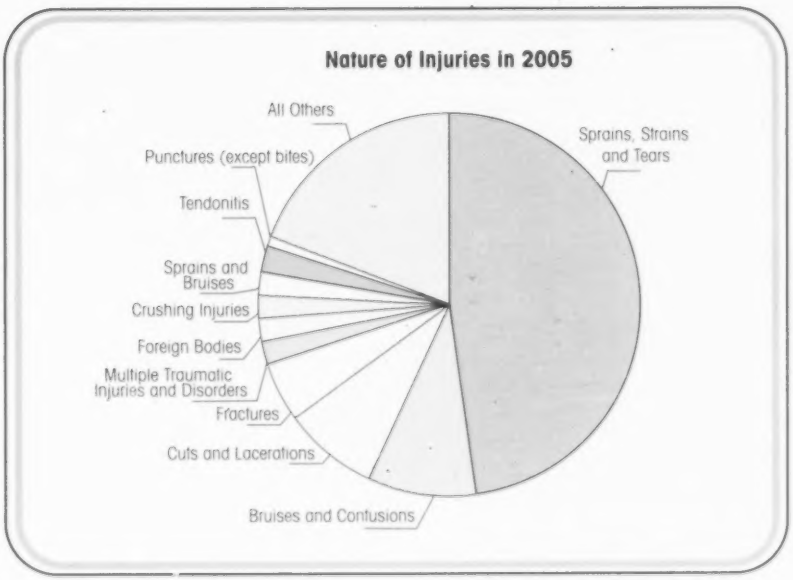


Type of Injuries

The WCB also maintains statistics on the region of body injured and the nature of injury. This information has helped to determine where to focus prevention awareness messages. Almost 25 percent of all injuries occur to the hand. Multiple injuries and lower spine injuries (which include back injuries) are the next most common injuries.

Using the SAFE Work message (which is recognized by more than eight out of 10 workers surveyed) is an effective way of impacting these workplace issues. A campaign focusing on back injuries with an accompanying back health booklet was launched in 2005, giving employers and workers the tools and information to reduce this particular type of injury.





RECOVERY

The following statistics provide information on claim outcomes.

CLAIMS IN PAY AT YEAR END

The WCB recognizes that focusing on the recovery of the injured worker and returning the worker to health and work as soon as safely possible is of benefit to the worker, their family and the employer.

The number of claims in pay at year end rose in 2005, influenced by the increased number of time loss injuries in 2005 as well as by the growing average duration of claims.

	2001	2002	2003	2004	2005
Compensation Claims	3,429	3,410	3,556	3,735	3,927
Active Vocational Rehabilitation Claims	429	400	424	509	505
Long Term Wage Loss Claims	913	971	995	960	1,100
Special Additional Compensation Claims	512	487	433	396	359
Pensions	4,342	4,235	4,084	3,997	3,931
Total Claims in Pay at Year End	**9,625**	**9,503**	**9,492**	**9,597**	**9,822**

DURATION OF CLAIMS

Duration of claims is the number of days that an injured worker receives wage loss replacement. This measure has been rising. Many factors can affect the duration of claims, including demographics and type of injury. Today's typical injured worker is older and almost half of all time loss injuries are musculoskeletal injuries. These two factors increase the average duration of claims.

The WCB is addressing the factors that result in increased duration of claims through continuous improvements to best practices in case management and the case management model as well as by focusing on enabling injured workers to return to health and work as soon as safely possible.

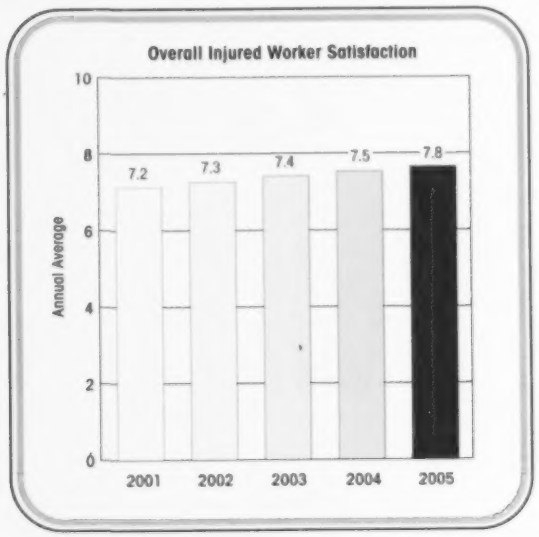
Severity - Composite Measure (in days)

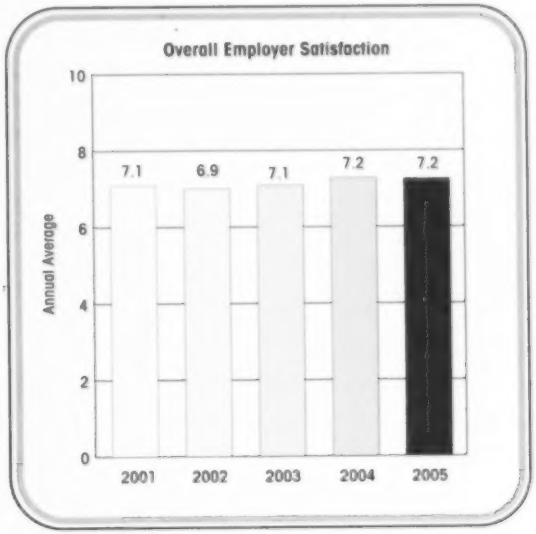
	2001	2002	2003	2004	2005
Average Duration of Claims (Compensation)					
Current Year Claims	21.4	20.6	21.3	21.9	22.3
Claims from All Years	39.7	39.6	40.5	41.5	43.3
Average Duration of Claims (All Wage Loss)					
Current Year Claims	22.3	20.6	21.3	22.0	22.3
Claims from All Years	44.2	46.4	46.5	47.2	48.8

SERVICE

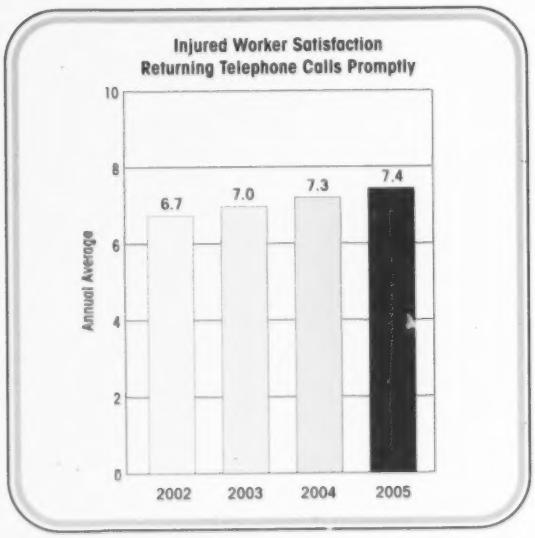
The WCB believes in providing service that is ***fast, easy, caring, right*** and ***clear*** and is proud of its strong service culture. The WCB strives to meet the evolving needs of all customers and is making significant improvements in this very important area.

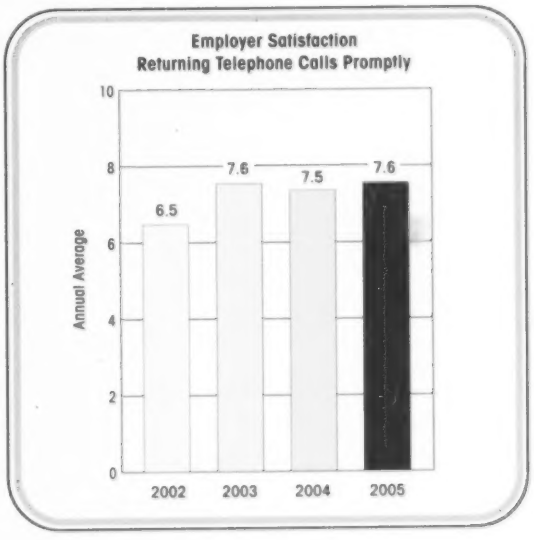
The goal was to achieve an overall customer satisfaction rating of eight out of 10 from our stakeholders. The WCB was proud to reach this goal in the 2005 second quarter injured worker satisfaction survey. Sustaining an eight out of 10 rating is the target moving forward.





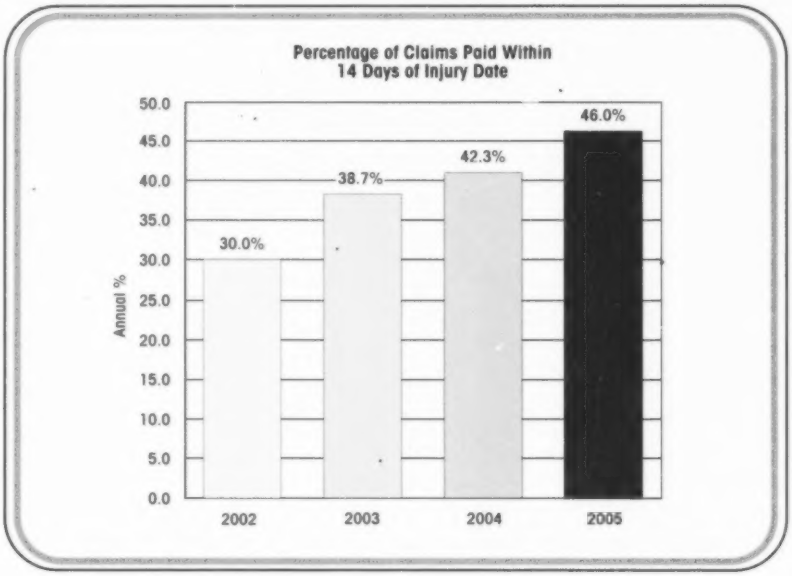
A significant driver of overall satisfaction is how responsive the WCB is in returning customer phone calls. WCB staff adopted a set of telephone service protocols aimed at improving service in this area. The WCB cares about its customers and is making steady improvements in telephone service.





SERVICE THAT IS...*FAST*

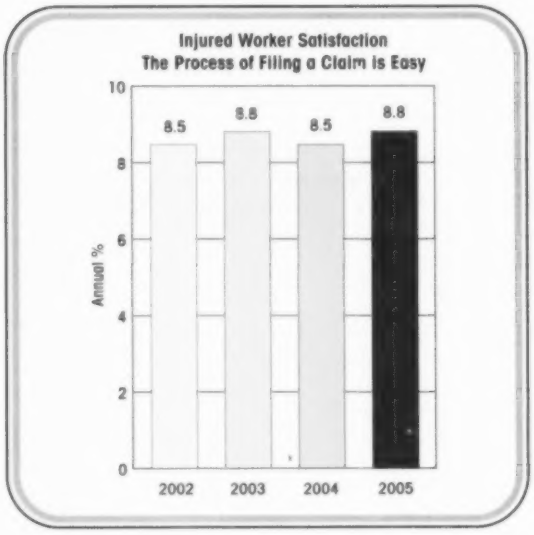
The WCB believes that providing ***fast*** service is critical to achieving customer satisfaction. The goal is to provide injured workers with their first payment within 14 days of the date of injury for 70 percent of traumatic time loss claims. To help achieve this goal, the WCB has implemented an electronic claim file system in Short Term Claims and is ensuring the number of claims awaiting adjudication stays in an acceptable range. The WCB continues to make significant gains in achieving the 70 percent target.

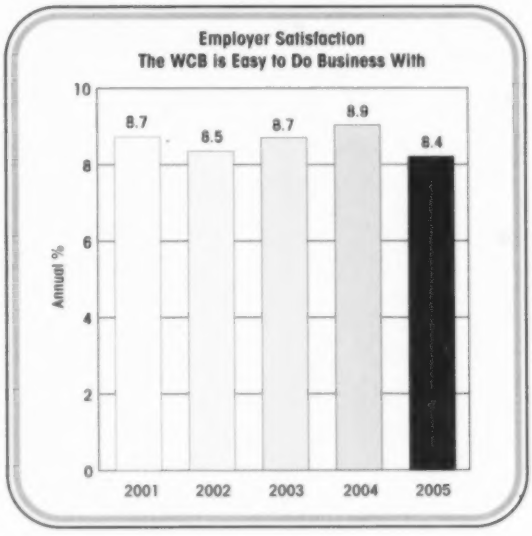


Workers have recognized the WCB's improvements in providing timely payments. Worker satisfaction with this service has increased over the past five years.

SERVICE THAT IS...*EASY*

Providing service that is ***easy*** means the WCB strives to give customers a simple, hassle-free experience and that when processes are reviewed, they are streamlined with customers in mind. Success in this area can be judged by the outcomes of the customer satisfaction surveys where injured workers and employers are asked whether they agree or disagree with a statement about their interaction with the WCB. Continued roll out of the electronic claim file system should assist in improving results in this area.



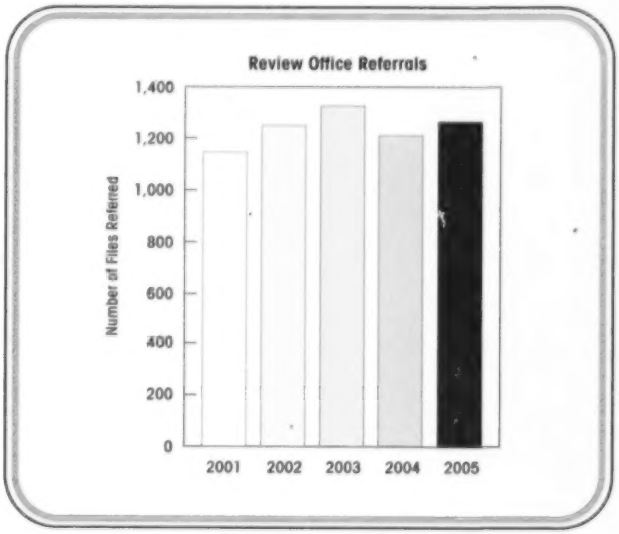


SERVICE THAT IS...*CARING*

A ***caring*** approach means our customers can expect to be treated with respect and dignity in addition to receiving empathy and personal attention. Our success in this area can be judged by the outcomes of the customer satisfaction survey where injured workers are asked to rate the personal attention they received from the WCB. This measure continues to rise.

SERVICE THAT IS...*RIGHT*

Getting the adjudication task completed ***right*** is a major goal of the WCB. There are several measures that illustrate an ongoing commitment to this goal: the number of files referred for reconsideration (see chart below), the percentage of files where the decision of the initial adjudicator is upheld and the number of Fair Practices issues raised. The files referred to the Review Office are remaining steady at about 1,250 files per year and roughly 70 percent of the time, the decision of the initial adjudicator is upheld. The number of Fair Practices issues raised in 2005 dropped to a low of 679 (see page 26).



SERVICE THAT IS...*CLEAR*

Providing service that is ***clear*** is important to ensure that injured workers understand what benefits they are entitled to and why decisions are made on their claims. This chart shows the WCB continued to improve this area.

STEWARDSHIP

The WCB is committed to managing the resources of the organization in a responsible manner ensuring an affordable and financially strong compensation system is maintained for Manitoba workers and employers.

EMPLOYER ASSESSMENTS AND AVERAGE ASSESSMENT RATE

Maintaining a competitive average assessment rate (rate per $100 of payroll) is paramount when it comes to employers' opinions of WCB fiduciary management. In 2005, Manitoba had the lowest average assessment rate of all jurisdictions in Canada.

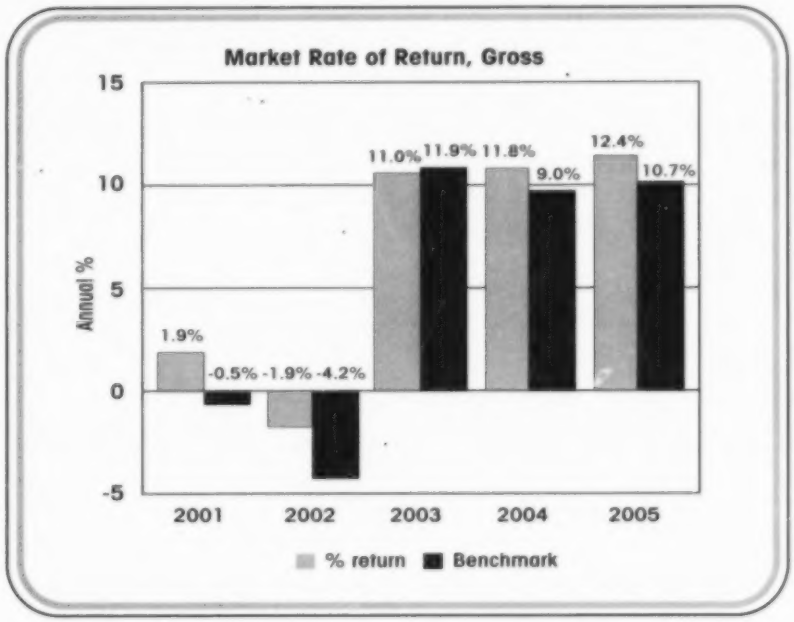
As well, in keeping with our safety and prevention mandate, employers' assessment rates reflect their claims experience record, with those experiencing higher injuries paying higher rates. In Manitoba, it pays to develop prevention and safety measures.

	2001	2002	2003	2004	2005
Premiums					
Assessable Payrolls ($ millions)	8,259	8,561	8,931	9,377	9,783
Assessments ($ millions)	126	131	145	160	168
Employers					
Number of Registered Employers at December 31	23,846	24,453	24,639	25,110	25,547
New Registrants in-year	2,781	2,932	2,481	2,720	2,663
Rates (per $100 of Payroll)					
Average - Actual	$ 1.52	$ 1.53	$ 1.62	$ 1.71	$ 1.72
Lowest	$ 0.17	$ 0.15	$ 0.15	$ 0.16	$ 0.16
Highest	$13.14	$16.73	$26.47	$30.34	$31.29

INVESTMENT RESULTS

Investment revenue is a significant revenue stream of the WCB. The investment portfolio is carefully managed by adhering to the WCB's Statement of Investment Policies and Objectives and by monitoring portfolio performance against appropriate benchmarks.

The chart below shows the investment rate of return and the benchmark rate of return. The WCB has been successful in achieving actual returns that are better than benchmark in four of the past five years.

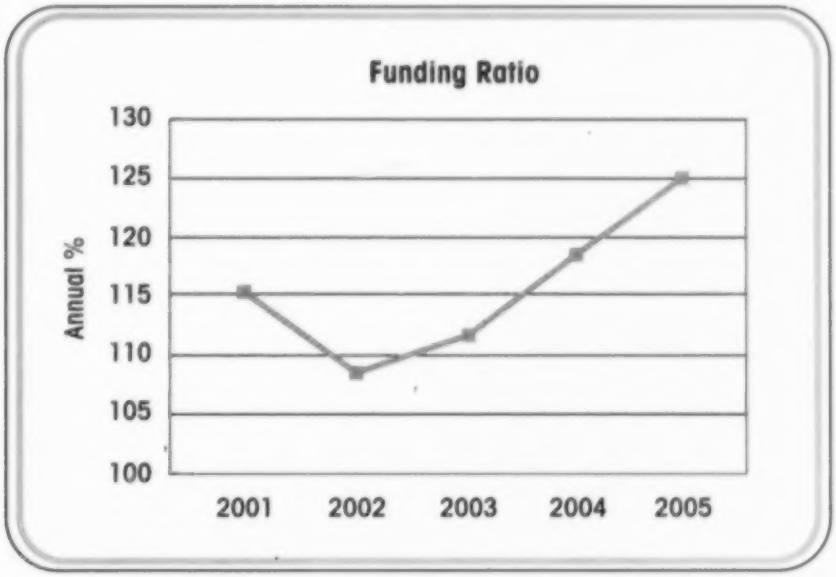


ADMINISTRATION COST PER TIME LOSS CLAIM

While the WCB's overall goal is to provide excellent customer service and quality compensation services, we strive to deliver these services within a lean organization. One of the measures used to gauge this is the administration cost per time loss claim. Manitoba has had the lowest cost across Canada for the four years shown below and expects to maintain that status for 2005. (Data for 2005 is not available until mid-2006.)

FUNDING RATIO

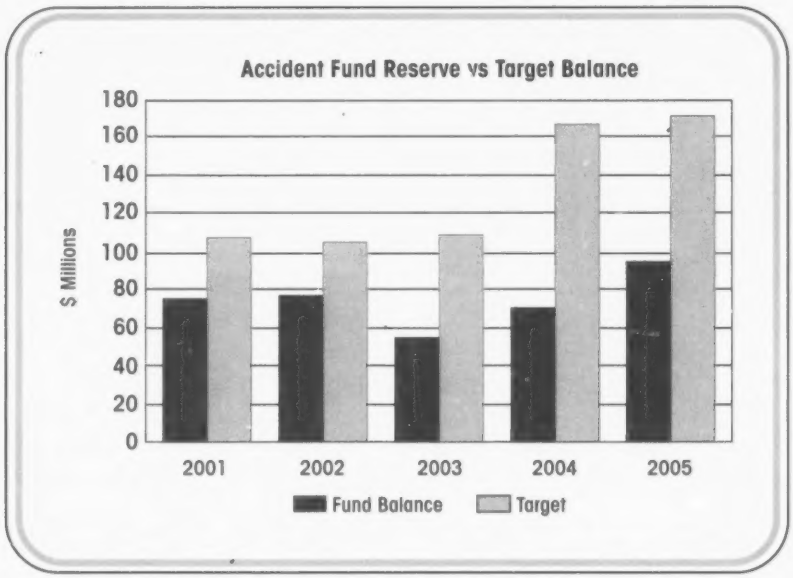
One measure of the financial strength of the WCB is the funding ratio (ratio of total assets to total liabilities). Any amount above 100 percent indicates that the WCB is fully funded with a positive balance in its reserves. Values below 100 percent signal that the WCB is in an unfunded liability position. Manitoba has been in a fully funded position since 1996.



NOTE: Values prior to 2004 are restated from the moving average market method to the fair market value investment accounting policy. This policy was adopted in 2004.

ACCIDENT FUND RESERVE AND TARGET

The Accident Fund Reserve of the WCB exists to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or injury claim costs. Funding formulas provide the WCB with the optimum balance for its Accident Fund Reserve. In 2004, upon adopting a new accounting policy for investments (fair value accounting), the funding formula was revised. Given the increased potential for volatile investment income results under fair value accounting, the reserve target is now almost one-third greater than in 2003 and prior years. The reserve target assists the WCB in making future financial decisions as the financial impacts to ratepayers are balanced against the risk of a reserve not meeting the target value. The Accident Fund Reserve and its target level are illustrated in the chart below:



In addition to the Accident Fund Reserve, the WCB has a reserve called Accumulated Other Comprehensive Income (AOCI). AOCI was a new accounting concept introduced upon adoption of fair value accounting. AOCI accumulates the unrealized gains and losses from the investment portfolio. The balance in this reserve as at December 31, 2005 was $91 million.

NOTE: For 2003 and prior years, the Fund Balance in the above chart includes the Rate Stabilization Fund and the Accident Fund. Effective 2004, the two funds were combined into the Accident Fund Reserve.

WCB

Workers Compensation
Board of Manitoba